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memo w/att	From Frank Press to The President (3 pp.) re; Spacecraft Nuclear Powered Devices <i>opened per RAC, 2/6/13</i>	8/1/77	A

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THE WHITE HOUSE
WASHINGTON
August 1, 1977

Stu Eizenstat
Jack Watson

The attached was returned
in the President's outbox and
is forwarded to you for your
information.

Rick Hutcheson

RE: HEW'S PROPOSALS FOR CHANGES
IN THE EARNED INCOME TAX
CREDIT

THE WHITE HOUSE
WASHINGTON

THE WHITE HOUSE
WASHINGTON

Mr. President:

The attached represents
Larry Woodworth's assessment
of the welfare reform proposals
and is passed along from
Bert Carp. + 5th.

(The original may still be
over at Treasury.)

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
	✓	EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
	✓	WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORD
	Comments due Carp/Huron wi 48 hours; due Staff Secreta next day

Rick

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



THE PRESIDENT HAS SEEN.
THE SECRETARY OF THE TREASURY
WASHINGTON 20220

MEMORANDUM FOR THE PRESIDENT

Subject: HEW's Proposals for Changes in the Earned Income Tax Credit

HEW Proposal

HEW wants to increase the earned income tax credit in order to reduce the work disincentives otherwise inherent in their welfare reform package. The present credit largely offsets the social security payroll tax (both employee and employer portions) in the lower income tax brackets. The 10-percent refundable credit applies up to \$4,000 (maximum credit \$400). The credit is then phased out at the rate of 10 cents on a dollar up to \$8,000 of income.

The problem HEW faces is that under their proposal the recapture rate on regular welfare payments, together with the social security tax rate, the present earned income credit, and the proposed recapture rate under state supplemental welfare payments combine to provide a total marginal rate of 86 percent in the \$4,000 to \$8,000 range of income. HEW hopes to reduce the marginal rate to 66 percent by converting the 10-percent earned income credit through the critical income area from a positive 10-percent marginal rate to a negative 10 percent. This would be accomplished by continuing the 10-percent earned income credit above the present income level of \$4,000 up to the various levels at which taxation would begin under our tax reform proposals. The starting level of taxation would vary according to the number of persons in the family. HEW would also build the earned income credit into the withholding tax system.

Revenue Effect

Given the starting levels of taxation we propose for tax reform, our estimates of the additional cost of this program (above the \$1.2 billion the present credit would cost) is \$7.4 billion for 1979.

HEW estimates this additional cost at \$3.3 billion to \$4.3 billion. In making their estimates, HEW assumed lower starting points for the tax system than those set out in the Treasury proposal. They reduced the starting tax levels, contained in the Treasury proposals, by 15 percent, the estimated increase in the CPI index between 1976 and 1979. This accounts for most of the \$3 billion difference in our estimates, assuming the upper end of their range.

Treasury Comments on HEW Proposal

We would like to make the following comments on the HEW proposal:

- The increase in the earned income credit is not needed to provide a well-balanced tax reform program. With the \$250 tax credit, we have already proposed a reduction in the effective rate for those with income under \$5,000 from +0.3 percent to -0.2 percent, and for those with incomes between \$5,000 and \$10,000 from 5.5 percent to 4.3 percent. This presents a significant reduction in the tax burden in these categories. We understand the need under the welfare program for a reduction in the high marginal rates of the various programs, but this is clearly a cost of the welfare program, not of tax reform.
- The tax reform program, by providing a relatively large tax credit, has already reduced the marginal rate by providing a relatively high tax-free income level. The welfare program needs the tax relief we have provided at the lower income levels. Further relief in these brackets, if attributed to tax reform, would be viewed as overbalancing tax relief for the low as contrasted to the middle income groups. (This is not to say, however, that the earned income credit could not be justified as a part of the welfare program.)
- As the attached table indicates, the HEW proposed phaseout of the earned income credit impacts relatively high income levels. For a married couple with two children, the phaseout would occur at approximately \$16,000. For a married couple with four children, the earned income credit under the HEW proposal would not be phased out until an

income level of about \$20,600 is reached. The number of tax returns claiming the earned income credit would increase from about 7 million to 17 million.

- Moving the earned income credit phaseout into the tax brackets above \$10,000 will increase marginal rates for taxpayers in these areas. Their regular tax rates are likely to be about 19 percent. Adding the 15-percent phaseout on the credit proposed by HEW brings this up to 34 percent. Adding the social security tax onto this brings it up to 40 percent. HEW's plan transfers the marginal rate problem from low income welfare recipients to middle income taxpayers.

Possible Alternatives

We believe the earned income credit changes should in their entirety be viewed as a part of the welfare program.

We also suggest that the revenue cost be reduced by one of two alternatives. First, instead of providing the additional 10-percent credit above \$4,000, the maximum credit could be kept at \$400 but the phaseout of the credit (as HEW proposes) would begin only when the taxable income level is reached. This would save about \$3 billion in revenue. It would reduce the benefit reduction rate that HEW is concerned with from 86 percent to 76 percent.

An alternative would provide a 5-percent credit (in lieu of the 10-percent credit) above the present \$4,000 level. This would save something like \$1.5 billion in cost and would reduce the marginal rate HEW is concerned with to 71 percent. Possible additional marginal rate reduction could be obtained by requiring a slower phaseout for state supplemental welfare payments except in the case of states with very high supplemental payments.

Both of the alternatives set out above, in addition to saving revenue, would also reduce the marginal rates which the HEW plan would impose on regular taxpayers.

W. Michael Blumenthal

Attachment

Table 1

Earned Income Tax Credit Phase Out
Ranges of Income Under HEW Proposal
for Married Taxpayers Filing Joint Returns

Number of Exemptions	:	Phase Out Begins	:	Phase Out Ends
2		\$ 6,671		\$ 11,118
3		8,141		13,568
4		9,589		15,982
5		10,978		18,292
6		12,358		20,597

Office of the Secretary of the Treasury
Office of Tax Analysis

July 27, 1977

Table 2

Personal Income Tax Marginal Tax Rates at Earned
Income Tax Credit Phase Out Incomes

Joint Returns

Persons in Filing Unit	:	Phase Out Begins	:	Phase Out Ends
2		0.17		0.18
3		0.17		0.19
4		0.18		0.21
5		0.18		0.21
6		0.19		0.23

Office of the Secretary of the Treasury
Office of Tax Analysis

July 28, 1977

Table 1

Earned Income Tax Credit Phase Out Levels of Income
10-5-10 Plan 1/

Joint Returns

Persons in Filing Unit	:	Credit	:	Phase Out Begins	:	Phase Out Ends
2		534		6,671		12,011
3		607		8,141		14,211
4		679		9,589		16,379
5		749		10,978		18,468
6		818		12,358		20,538

Office of the Secretary of the Treasury
Office of Tax Analysis

July 28, 1977

1/ Credit is 10 percent of earned income to \$4,000, 5 percent of earned income to the Personal Income Tax exemption level and is reduced by 10 percent of the excess of income over the exempt level of income.

1145 AM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

done
J

August 1, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN *HJ*
SUBJECT: Meeting with Charlie Ferris, Monday,
August 1 - 11:45 a.m. Oval Office
(10 minutes)

The appointment with Charlie Ferris was arranged as a result of your agreement to interview him in connection with possibly offering him the Chairmanship of the Federal Communications Commission. For background, the material previously sent to you is attached.

If you decide to offer the charmanship to Charlie, and he accepts, as he most certainly will, I will work out with him the details of the term to which he will be appointed.

Attachment

I am convinced after reviewing the records of the other FCC commissioners that Ferris would be the best chairman. He is a strong leader, bright and energetic and has a balanced outlook that is need.

You are already committed to appoint him to the FCC - the question remains as to the Chairmanship.

Electrostatic Copy Made
for Preservation Purposes

SUMMARY ON CHAIRMANSHIP

As there are no sitting Commissioners who are qualified to be considered for the Chairmanship, I would recommend that you appoint Charlie Ferris Chairman for the following reasons:

- Because of his technical background (research physicist), he has understanding of the complex communication issues facing FCC;
- His legal training and experience with the the Justice Department provides him with the knowledge to comprehend and deal with the large industries regulated by the FCC;
- His experience with the Congress provides him with an understanding of the political history of communication issues which might require new approaches and/or new legislation;
- He has broad political support for this position from consumer groups and political figures; you will recall that this was the one thing that Senator Mansfield asked you to do; the Speaker and Senator Byrd want badly for Charlie to be the Chairman;

It is my strong feeling that of the persons who could be considered, Charlie Ferris would provide strong, effective leadership as Chairman.

You have already interviewed him for membership and made
a committment to him ~~on~~ that. If you decide to appoint
him chairman, you may want to interview him again although
I don't think that is necessary.

 Appoint Ferris.

 ✓ Interview Ferris.

 I want other candidates.

J

CHARLES D. FERRIS
8802 Mansion Farm Place
Mount Vernon, Virginia 22121
(B. Apr. 9, 1933 - 44 years)

Education

1954	A.B.	Boston College (Physics)
1961	J.D.	Boston College Law School
1971	--	Harvard University Graduate School of Business, Advanced Management Program

Experience

1977 --	General Counsel to the Speaker of the House of Representatives (Rep. "Tip" O'Neill)
1964-77	Chief of Staff and General Counsel, Democratic Policy Committee, United States Senate (under Senator Mansfield)
1963-64	Associate General Counsel, Democratic Policy Committee, United States Senate
1961-63	Trial Attorney, Civil Division, Department of Justice, Attorney General's Honors Program
1958-60	Assistant Professor, Harvard University (Naval Science/Marine Engineering)
1954-55	Research Physicist, Sperry Gyroscope (Great Neck, New York)

Honors and Awards

Editor, Boston College Law Review
President, Boston College Law School Class of 1961

Personal

Married; two children

CHARLES D. FERRIS

(44 - Mount Vernon, Virginia)

Comments:

Nicholas Johnson, Former member of the FCC, Director of National Citizens Committee for Broadcasting: "We believe that Ferris has ability, knowledge of the issues and the Hill, and strong leadership qualities. He will be supported by consumer groups."

Vice President Mondale: "Ferris is the perfect choice for FCC Chairman. He's honest, open-minded and has excellent judgment - all of those qualities needed to serve as Chairman."

Charles Lichtenstein, Vice President, Public Broadcasting System: "He's very bright and would be a strong Chairman. He's open-minded and not just a paper-pusher."

Eugene Cowan, Vice President, ABC: "He's not a network person, not someone that we would have nominated, but he is fair-minded and we like him. He is intelligent and does not have hardened positions in communications policy - which is what the President needs as Chairman of the FCC."

Richard Callaghan, Vice President, Western Union: "He's a terribly bright guy. He's a quick learner, broad-minded and meets every test for competence."

Bob Schmidt, President, National Cable Television Association: "I'm very impressed with Charlie. He's tough, fair, bright and would do a great job."

PLUS: UNANIMOUS SUPPORT OF CONGRESSIONAL LEADERSHIP

THE WHITE HOUSE

WASHINGTON

August 1, 1977

Jody Powell

Re: Drug Abuse Message

The attached was returned in the President's outbox and is forwarded to you for appropriate action.

The original message will be given to Bob Linder for release on Wednesday.

Rick Hutcheson

cc: Stu Eizenstat
Jack Watson
Peter Bourne

*Changed to
Tuesday
per Peter
Bourne*

X

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	
FYI	

	MONDALE
	COSTANZA
✓	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
X	POWELL
x	WATSON
	LANCE
	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
X	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

Mr. President:

TWO SIGNATURES REQUESTED

on the proposed drug message.

A change was made on p. 8;
"eliminate all Federal
penalties" was changed to
"eliminate all Federal
criminal penalties."

Rick

*Get maximum
p.v.*

J.C

THE PRESIDENT HAS SEEN.
For release on delivery

*Sta -
Excellent
J*

Statement by

Arthur F. Burns

Chairman, Board of Governors of the Federal Reserve System

before the

Committee on Banking, Finance, and Urban Affairs

House of Representatives

July 29, 1977

**Electrostatic Copy Made
for Preservation Purposes**

TO THE CONGRESS OF THE UNITED STATES:

Drug abuse continues to be a serious social problem in America. The lives of hundreds of thousands of people are blighted by their dependence on drugs. Many communities remain unsafe because of drug-related street crime, and the immense profits made in the illicit drug traffic help support the power and influence of organized crime. Among young American men aged 18-24 years, drugs are the fourth most common cause of death: only automobile accidents, homicides, and suicides rank higher. The estimated cost of drug abuse in America exceeds 15 billion dollars each year. Among some minority groups, the incidence of addiction and the harm it inflicts are disproportionate.

Drug addiction, which in recent years was viewed as a problem peculiar to America, now affects people throughout the world. We can no longer concern ourselves merely with keeping illicit drugs out of the United States, but we must join with other nations to deal with this global problem by combatting drug traffickers and sharing our knowledge and resources to help treat addiction wherever it occurs. We must set realistic objectives, giving our foremost attention domestically to those drugs that pose the greatest threat to health, and to our ability to reduce crime. Since heroin, barbiturates and other sedative/hypnotic drugs account for 90 percent of the deaths from drug abuse, they should receive our principal emphasis.

My goals are to discourage all drug abuse in America - and also discourage the excessive use of alcohol and tobacco - and to reduce to a minimum the harm drug abuse causes when it does occur. To achieve these goals with the resources available, effective management and direction are essential. Because the federal effort is currently divided among more than twenty different, and often competing, agencies, I

have directed my staff to coordinate Federal action and to formulate a comprehensive national policy. This will end the long-standing fragmentation among our international programs, drug law enforcement, treatment and rehabilitation, prevention, and regulatory activities. I will also seek the counsel and active involvement of members of the Cabinet and heads of major independent agencies on all drug abuse policy questions, through a revitalized Strategy Council on Drug Abuse. My staff will examine the functions of the various agencies involved in this field and will recommend to me whatever organizational changes are appropriate.

International Cooperation

For certain drugs originally derived from plant sources outside the United States, especially heroin and cocaine, diplomatic agreements against cultivation and trafficking are indispensable. Turkey -- once virtually the sole source of heroin supply in this country -- is now gone from the illicit market as the result of such an agreement. The enormous profits generated by the illicit drug traffic distort the economies of many smaller countries, aggravating inflation and draining tax revenues; they also engender corruption and corrode political stability. We must work closely with other governments to assist them in their efforts to eradicate the cultivation of drugs, and to develop legitimate alternative sources of income for the impoverished farmers who have for generations raised and sold crops such as opium.

We have made significant progress in the last few months. In February, I discussed with President Lopez-Portillo of Mexico my deep concern about the illegal cultivation of opium in his country. Under his strong leadership, the eradication program has been intensified and is producing dramatic results, significantly reducing the availability

of heroin in many American cities. In addition, President Ne Win of Burma and Prime Minister Thanin of Thailand have shown a resolute determination to control drug cultivation and trafficking in their countries. Most recently I have received strong assurances from President Lopez-Michelsen of Colombia that he plans to give the problem of drug trafficking his highest priority. We are establishing a commission made up of government officials from our two countries to coordinate a stepped up effort to deal with the major international trafficking of cocaine and marihuana between our two countries, and the devastating economic impact of that traffic.

As a result of these efforts and those of the Drug Enforcement Administration, the purity of heroin in our country has dropped in the last six months to 4.9%, the lowest level in 4 years.

There is, however, more that we can do:

- (1) I am directing the Secretary of State to give greater emphasis to the international narcotics control program and to reiterate to foreign governments our strong desire to curtail production of, and traffic in, illicit drugs.
- (2) To this end, I am directing the Administrator of the Agency for International Development to include such measures as crop and income substitution in its development programs for those countries where drugs are grown illicitly. I expect the Secretary of State to continue to call on other agencies and departments, such as the Drug Enforcement Administration, the U.S. Customs Service, the U.S. Department of Agriculture, and the National Institute on Drug Abuse, to assist in the international narcotics control program according to the special expertise of each.
- (3) I am directing the intelligence community to emphasize the collection and analysis of information relating to international drug trafficking.

(4) I strongly support the work of the United Nations Fund for Drug Abuse Control (UNFDAC), the United Nations Commission on Narcotic Drugs, the International Narcotics Control Board, the World Health Organization, and other organizations working within the framework of the United Nations in their efforts to help drug-producing countries find alternate crops, improve drug control measures, and make treatment resources available.

(5) I am instructing the United States representatives to the loan committees of the Regional Development Banks and other international financial institutions to use their votes and influence to encourage well designed rural development and income substitution projects in countries which now produce dangerous drugs, and to ensure that assistance is not used to foster the growth of crops like opium and coca.

(6) Because of the need to improve international controls over dangerous drugs which have legitimate medical uses, like barbiturates and amphetamines, I urge the Congress to adopt legislation implementing the Convention on Psychotropic Substances, and I urge the Senate to ratify this treaty promptly.

(7) In my communications with foreign leaders, I will emphasize international cooperation among drug law enforcement agencies, so that intelligence and technical expertise can be shared. I will encourage them to send law enforcement officials to work with us to stop the flow of drugs through other countries. This kind of cooperation has already begun in Bangkok among French, German, British, Dutch, American and Thai officials.

I will, in addition, promote the international sharing of knowledge and expertise in the treatment of drug abuse. We will make a special effort to share our experience, especially with those nations which have serious drug problems and which are working with us in the effort to control drug sources and prevent drug abuse. Our program will encompass training, research and technical assistance projects, including providing American experts as consultants.

Law Enforcement

We must vigorously enforce our laws against those who traffic in drugs, so that the attraction of large profits is outweighed by the risk of detection and the likelihood of conviction. The Federal Government's job is to deter, and where possible prevent entirely, illegal importation and major trafficking of controlled substances. Often large-scale financiers of the illegal drug trade never come into direct contact with drugs. Through the cooperative efforts of the various agencies involved, we will attack the financial resources of these traffickers who provide the capital needed to support the smuggling of drugs into the country. Drug traffickers must understand that they face swift, certain, and severe punishment; and our law enforcement and judicial systems must have the resources to make this prospect a very real threat. We must allocate our resources intelligently, revise our penalty structure where necessary to concentrate on the actions (and the drugs) that are most dangerous, and improve the administration of justice.

Therefore:

. I am directing the Attorney General to intensify investigations of the link between organized crime and the drug traffic, and to recommend appropriate measures to be taken against these organizations.

. I am directing the Department of Justice in conjunction with the Departments of State and Treasury to study arrangements with other countries, consistent with Constitutional principles, to revoke the passports of known major traffickers, and to freeze assets accumulated in the illegal drug traffic.

. To ease the burden on the United States District Courts, which must hear major drug cases, I support legislation widening the jurisdiction of U.S. Magistrates under certain circumstances to include misdemeanor offenses which carry sentences of up to one year.

. In 18 United States Attorneys' Offices, special units devoted to the prosecution of major drug traffickers exist. The Department of Justice is now expanding this program to include additional units.

. I support legislation raising from \$2,500 to \$10,000 the value of property which can be seized and forfeited from drug violators by administrative action, including cash within the definition of seizable property. Amounts above this figure will continue to require court proceedings.

. I am directing my staff to recommend to me the appropriate Federal drug law enforcement role in the light of currently available resources -- state, local and Federal. For nearly a decade, Federal support of state and local enforcement activity has steadily expanded. The time is ripe to evaluate the results of this effort, to determine whether federal participation should be altered, and to determine the proper division of responsibility between Federal and local officials. The Office of Drug Abuse Policy has already begun the first phase of this review, which includes consideration of border security and drug trafficking intelligence.

. I am directing the Attorney General to study the necessity for and constitutionality of proposals which would deny pre-trial release to certain persons charged with trafficking in drugs posing the greatest threat to health, and to give me his recommendations within 90 days. At the present time, some persons charged with major drug offenses can use their immense wealth to post bail and escape justice. If enactment of such proposals appears to be necessary and constitutional, their application should be tightly restricted and they should include a provision granting the accused an expedited trial.

. I am directing the Attorney General to review the adequacy of the penalties for major trafficking offenses and to give me his recommendations within 90 days.

. I also have considered requesting changes in the Tax Reform Act of 1976. Some of its provisions -- such as those for disclosure and summoning -- were designed to protect the privacy of citizens but may also impede unnecessarily the investigation of narcotics trafficking cases. I am asking the appropriate Federal agencies to determine the difficulties these provisions present to effective law enforcement. If it appears they can be amended to improve law enforcement without infringing upon legitimate privacy interests, I will submit legislation to the Congress.

Marihuana

Marihuana continues to be an emotional and controversial issue. After four decades, efforts to discourage its use with stringent laws have still not been successful. More than 45 million Americans have tried marihuana and an estimated 11 million are regular users.

Penalties against possession of a drug should not be more damaging to an individual than the use of the drug itself; and where they are, they should be changed. Nowhere is this more clear than in the laws against possession of marihuana in private for personal use. We can, and should, continue to discourage the use of marihuana, but this can be done without defining the smoker as a criminal. States which have already removed criminal penalties for marihuana use, like Oregon and California, have not noted any significant increase in marihuana smoking. The National Commission on Marihuana and Drug Abuse concluded five years ago that marihuana use should be decriminalized, and I believe it is time to implement those basic recommendations.

Therefore, I support legislation amending Federal law to eliminate all Federal criminal penalties for the possession of up to one ounce of marihuana. This decriminalization is not legalization. It means only that the Federal penalty for possession would be reduced and a person would receive a fine rather than a criminal penalty. Federal penalties for trafficking would remain in force and the states would remain free to adopt whatever laws they wish concerning the marihuana smoker.

I am especially concerned about the increasing levels of marihuana use, which may be particularly destructive to our youth. While there is certain evidence to date showing that the medical damage from marihuana use may be limited, we should be concerned that chronic intoxication with marihuana or any other drug may deplete productivity, causing people to lose interest in their social environment, their future, and other more constructive ways of filling their free time. In addition, driving while under the influence of marihuana can be very hazardous. I am, therefore, directing the Department of Transportation to expedite its study of the effects of marihuana use on the coordination and reflexes needed for safe driving.

Drug Treatment

My immediate objective will be to widen the scope and improve the effectiveness of Federal drug treatment programs. In conception and in practice, they have been too narrow. Drug addiction can be cured; but we must not only treat the immediate effects of the drugs, we must also provide adequate rehabilitation, including job training, to help the addict regain a productive role in society. In the past, Federal programs have given disproportionate attention to the heroin addict while neglecting those who are dependent on other drugs.

To improve the quality of Federal drug treatment, I am recommending these steps:

- . In recognition of the devastating effects that certain nonopiate drugs can have if abused, I am directing the Secretary of Health, Education, and Welfare to expand resources devoted to care for abusers of barbiturates, amphetamines, and multiple drugs used in combination, including alcohol.
- . To help drug abusers return to productive lives, I am directing the Secretary of Labor to identify all Federal employment assistance programs which can help former drug abusers and to give me, within 120 days, his recommendations for increasing the access of drug abusers to them.
- . A sustained effort must be made to identify the reasons that people turn to drugs, including alcohol and cigarettes. We should seek more effective ways to make people aware of the health problems associated with such substances (particularly cigarettes and alcohol) and to respond in more constructive ways to the human and psychological needs they satisfy.

Drug Research

In the past, there has been no serious attempt to coordinate Federal research on opiates and alcohol despite the many similarities in the effects of these two drugs. A joint Federal research center might not only save money, but also lead to greater scientific understanding of addiction problems. Therefore I am directing the Secretary of Health, Education, and Welfare to study the feasibility of making the Addiction Research Center responsible for coordinated research on a variety of drugs, including opiates, alcohol, and tobacco.

Administrative Action

Improved treatment and prevention programs should be accompanied by appropriate changes in Federal regulations, administrative practices, and enforcement, among which are these:

. First, I am recommending a conscious and deliberate increase in attention throughout the Federal Government to the problems related to the abuse of drugs that come originally from legitimate medical sources. Of particular concern are barbiturates, which despite their recognized medical use, are responsible for many deaths and are frequently used in suicide attempts. The withdrawal reaction of patients addicted to barbiturates can be more difficult and more dangerous than that associated with heroin withdrawal. They are frequently oversold, overprescribed, and overused. Therefore, I will:

-- Instruct the Secretary of Health, Education, and Welfare to undertake a study of barbiturates and other sedative/hypnotic drugs to determine the conditions under which they can be most safely used.

-- Instruct the Secretary of Defense, the Secretary of Health, Education, and Welfare, and the Administrator of Veterans' Affairs to review the prescribing practices of physicians under their jurisdiction, and to discourage the medical use of barbiturates and sedative/hypnotics except in cases where it is unmistakably justified.

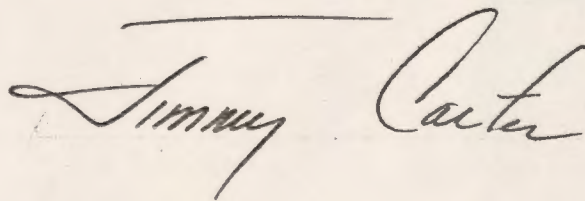
-- Continue the program, already begun at my direction, by which the Drug Enforcement Administration has instructed its regional offices and regulatory task forces to give priority attention to barbiturate cases. DEA has also begun to investigate the "street" market in order to determine the source of illegal supplies so that suitable Federal action may be taken. In the near future, DEA will conduct a special accelerated audit of the 120 companies lawfully manufacturing barbiturates in this country and will also notify foreign governments of our desire to see them control their barbiturate exports strictly.

. Second, I am directing the Secretary of Health, Education, and Welfare to review those sedative/hypnotic drugs particularly subject to abuse to determine whether any should be removed from the market, taking into consideration not only their safety to the individual but also the dangers they pose to the public at large.

. Third, I support legislation giving the Food & Drug Administration the authority to apply standards of safety and efficacy to all drugs, by repealing those laws which exempt a variety of drugs because they were placed on the market before a certain date. A number of barbiturates fit into this category.

. Fourth, Some physicians still knowingly overprescribe a wide variety of drugs. Although, as a result of careful education, physicians have voluntarily reduced their prescriptions for barbiturates by 73 percent during the last five years, a few are continuing to misprescribe these and other drugs deliberately. I am directing the Attorney General, in full cooperation with State officials, to begin a concerted drive to identify and prosecute these violators.

No government can completely protect its citizens from all harm -- not by legislation, or by regulation, or by medicine, or by advice. Drugs cannot be forced out of existence; they will be with us for as long as people find in them the relief or satisfaction they desire. But the harm caused by drug abuse can be reduced. We cannot talk in absolutes -- that drug abuse will cease, that no more illegal drugs will cross our borders -- because if we are honest with ourselves we know that is beyond our power. But we can bring together the resources of the Federal Government intelligently to protect our society and help those who suffer. The sufferers include the overwhelming majority of the public who never abuse drugs but for whom drug abuse poses the threat of broken families, a lost child or fear to walk the streets at night. Beyond that, we must understand why people seek the experience of drugs, and address ourselves to those reasons. For it is ultimately the strength of the American people, of our values and our society, that will determine whether we can put an end to drug abuse.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed name.

THE WHITE HOUSE,

THE WHITE HOUSE
WASHINGTON

file

conf. l

47116

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

August 1, 1977

CONFIDENTIAL GDS

INFORMATION

THIS DOCUMENT CONTAINS INFORMATION

MEMORANDUM FOR: THE PRESIDENT
FROM: FRANK PRESS *HP*
SUBJECT: Spacecraft Nuclear Powered Devices

You asked (Tab A) what would happen if a Radioisotope Thermoelectric Generator (RTG) used to power the Voyager spacecraft were to rupture.

The RTGs are fueled by plutonium 238 sources encased in spherical crash-proof containers. There are 72 of these fuel spheres aboard each Voyager spacecraft, with each sphere containing about one-half pound of plutonium. There is much experience in the design and construction of RTGs, with twenty previous space missions having used them.

Under almost all failure modes of the Voyager launcher, there are totally insignificant consequences in terms of radioactivity release even if the fuel spheres ruptured. In such cases, the fuel would either impact harmlessly on land or in the ocean, or be vaporized upon re-entering the atmosphere.

When launched, the Voyagers will be under control of a Range Safety Officer. If he senses a malfunction, he will guide the launcher to destruction over the ocean. The fuel spheres would most likely remain intact. If the launch were aborted over the pad -- before the Range Safety Officer could act -- and if the fuel spheres were to rupture by landing on concrete or steel, small chunks of plutonium could be released. This would occur in an evacuated area and no one would likely receive measurable exposure. The worst case that can be hypothesized at launch involves one of the spheres rupturing and then being vaporized by burning solid propellant. Exposures from the vapor cloud would be very small. However, there are contingency procedures -- involving evacuation and clean-up -- for dealing with this extremely remote case.

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CONFIDENTIAL GDS

~~CONFIDENTIAL~~

DECLASSIFIED

Per: Rac Project

ESDN: NLG-126-8-29-1-1

BY: 7<5 NARA DATE 2/5/13

In the event of a failure to achieve orbit, with subsequent re-entry rather than vaporization, the fuel spheres could rupture and release solid plutonium if they impacted on a hard surface. Unless an individual was in the immediate vicinity of the impact, no measurable exposure would be anticipated. If the fuel spheres and plutonium were handled, the individual would become contaminated; however, the fuel and spheres would be thermally very hot (several hundred degrees) because of the radioactivity involved and serious thermal burns would result. Exposures are possible, but they are considered to have very small probabilities because of the chain of events -- each of very low probability -- needed for this particular event to happen.

A

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THE WHITE HOUSE
WASHINGTONCONFIDENTIAL

2052

July 19, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: FRANK PRESS *FP*

SUBJECT: Approval to Launch Nuclear Power
Devices into Space

In accordance with the requirements of NSAM 50 (Tab A), NASA Administrator Frosch has written to request your approval for launching two spacecraft containing nuclear power devices (Tab B). These devices, in the form of Radioisotope Thermoelectric Generators (RTGs), will provide the power supply for two Voyager spacecraft, to be launched in August and September on a scientific fly-by mission to Jupiter, Saturn, Uranus and perhaps Neptune. At these distances, solar panels are useless.

The proposed launching of the RTGs has been reviewed by an interagency nuclear safety review panel. The panel has determined (Tab C) that the risks of rupture and dispersion of the RTGs -- fueled by plutonium 238 -- are acceptably small. The fuel is encased in specially designed crash proof containers. The Voyager spacecraft also will contain radioisotope heater units for heating sensitive components. These are also specially designed against rupture and pose no significant safety hazard.

RECOMMENDATION

That you approve the launching of nuclear power devices aboard the Voyager spacecraft. The NSC Staff (Huberman) concurs.

Approve ✓

Disapprove _____

CONFIDENTIAL

DECLASSIFIED

Per: Rac Project

ESDN: NLC- 126-8-29-1-1

BY 153 NARA DATE 2/5/13

J.C.

*Let me know
what would happen if
an RTG ruptured
J*

THE WHITE HOUSE

WASHINGTON

August 1, 1977

Bert Lance
Stu Eizenstat
Bob Lipshutz
Jack Watson
Z. Brzezinski

Re: Extension of the Indochinese
Refugee Assistance Program

The attached was returned in the President's
outbox and is forwarded to you for your
information and appropriate action.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION
FYI

	MONDALE
	COSTANZA
✓	EIZENSTAT
	JORDAN
✓	LIPSHUTZ
	MOORE
	POWELL
✓	WATSON
✓	LANCE
	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
✓	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUL 25 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: Bert Lance

B. Lance

SUBJECT: Extension of the Indochinese Refugee Assistance Program

You recently approved Secretary Vance's request that 15,000 Indochinese Refugees be paroled to the U.S., but you withheld a formal announcement pending a decision on extension of the Indochinese Refugee Assistance program for the approximately 150,000 at present in the U.S. and what support would be provided to the newly admitted refugees.

HEW Proposal for the Previously Admitted Refugees (150,000)

Secretary Califano has requested approval to seek extension for three years of the Indochinese Refugee Assistance program which, by law, will terminate on September 30, 1977.

The HEW proposal would provide special Federal aid for those refugees who qualify only for State general assistance. Those who meet the eligibility criteria for the Aid to Families with Dependent Children (AFDC) or Supplemental Security Income (SSI) programs when the present refugee program ends on September 30 would be picked up under those programs. Under the HEW proposal, social and medical services, cash assistance, special employment, training, and mental health projects and State/local administration would be eligible for Federal financing.

The key elements of the program are displayed below:

Extended Federal Assistance to Refugees

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Federal share (%)	100	75	50	0
Federal cost (\$ in millions)	98	63	36	0

Background

In 1975, the Congress enacted a special assistance program for the approximately 150,000 refugees fleeing Indochina. The refugees were brought to staging camps in the U.S. and released under the aegis of State or private voluntary agencies for resettlement in various parts of the country. Upon resettlement, HEW began to reimburse the States 100% for welfare and medical expenses of needy refugees. (At present, about 36% of the refugees receive cash assistance and that number is expected to grow to 40%.) A per capita payment was made to school districts where school-age refugees were resettled, and grants were also made to improve the job skills and language abilities of the refugees.

As the special Federal support terminates on September 30, 1977, the refugees would have to receive welfare and medical assistance under the regular national public assistance programs, for which the Federal Government provides about 55% of the costs, or under the State general assistance programs which at present receive no Federal funds. HEW estimates that roughly three-fourths of the caseload would fall into the State general assistance category.

There is strong pressure from certain States and their congressional delegations (especially California and Minnesota) to extend the present program because of the continuing burden that the refugees represent and because the presence of the refugees in this country is the result of Federal actions. Congressman Pete Stark of California has already introduced such a bill to extend the program on a more liberalized basis than the HEW proposal.

The refugees continue to experience high, and growing, rates on public assistance (36% of refugees were on public assistance in the most recent survey). While as many as 94% of the male heads of households are employed, they tend to have relatively low-paying jobs and large numbers of dependents, so that they qualify for welfare (usually for the States' general assistance). HEW anticipates that as many as 30% of the refugees could be eligible for States' general assistance.

Senator Humphrey has written to me in support of extension of the present special program and indicates that he has spoken with you on this matter.

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for Preservation Purposes

3

I. Options for Extending the Existing Program for the
Previously Admitted 150,000 Refugees

1. HEW Proposal - Seek legislation to phase down the Federal support for the present program over the next three years. Limit the program to persons and services not covered by the national public assistance programs. HEW estimates the three-year cost at \$197 million.

Advantages: Responds to the fact that the refugees represent a continuing special burden on the States, yet limits the scope and the level of special Federal assistance. Places a definite end-point in time on the special Federal program.

Disadvantages: Reduces the level and extent of Federal support when the States' Indochinese welfare recipients are increasing.

2. Selective Support - Phase down Federal assistance at a faster rate (i.e., 75%, 50%, 25% vs. HEW's 100%, 75%, 50%) and eliminate the special projects and social services contained in the HEW proposal. Rely, instead, on other Federal programs (such as CETA and Title XX social services) and especially on existing discretionary funding to meet such needs. We estimate the three-year cost at \$146 million.

Advantages: Similar to Option #1, and in addition could serve the refugees more via regular programs with a broader array of services, thus enhancing the likelihood of terminating the special Federal program on the scheduled termination date.

Disadvantages: Similar to Option #1, but would place a greater burden on the States and thus raise stronger opposition. Also, requires a more active effort by the States, and greater receptivity by program officials, to utilize alternative regular programs to meet the refugees' needs.

As you may wish to gain greater State cooperation in resettling the refugees, the higher resource level associated with HEW's proposal prompts us to recommend its adoption.

Decision

HEW Proposal _____ (recommended by OMB, NSC, Eizenstat)

Selective Support Alternative ✓ (recommended by Lipshutz)

Other _____

*Should begin
broader govt involvement
& assimilation
as Americans* JC

II. Options for Providing Special Federal Assistance to the 15,000 Indochinese Refugees About to be Paroled

1. Provide 100% Federal funding for three years for public assistance and related expenditures that would help the refugees become employed and self-supporting. HEW estimates the three-year cost at \$36 million.

Advantages: Recognizes the special and distinct burden the new refugees represent for States and localities (and is parallel to treatment of the earlier refugees), and may thereby enhance the chances for success in phasing down special assistance for the 150,000 refugees already in the U.S.

Disadvantages: Treats the new group of refugees differently from the refugees already admitted, which may result in administrative burdens on States and localities, and raise pressure to provide support for the present 150,000 refugees on the same basis (i.e., 100% Federal funding) as the 15,000 new refugees. Contrasts with the phase-down in Federal support for the refugees at present in the U.S., and may thus provide basis for extending support beyond three years.

2. Provide 100% Federal funding as in Option #1, but for a shorter period, e.g., 18 months which would approximate more closely the amount of time that the original group of refugees could receive public assistance. The three-year cost would be approximately \$20 million.

Advantages: By shortening Federal support for this group, this option may enhance termination of all special Federal support in three years. May encourage quicker and more successful integration into U.S. society.

Disadvantages: Lower chances of success with the Congress since this option places greater burden on States and is incongruent with the length of support for the original 150,000 refugees. In addition, it is cumbersome to administer.

3. Treat new refugees to be paroled in the same way as those refugees already in the U.S. Costs would be roughly \$18 million.

Advantages: All Indochinese refugees would be treated consistently and State and local administrative problems would be simplified. Provides logical basis for terminating special Federal support for all Indochinese refugees after three years.

Disadvantages: Inconsistent with the original degree of Federal support (100% Federal funding) provided to the States for 150,000 refugees already in the U.S., and thereby places greater burden on States and localities. This may raise greater opposition.

We recommend approval of Option #2, providing 18-month special Federal support at 100% funding. This would help limit the duration of a special Federal program and encourage the States to accept the phase-down of Federal assistance. We would also recommend placing these refugees on a three-year stepped program of assistance like that for the original 150,000 refugees, at the end of the 18-month period.

Decision

Three years of special 100% Federal support _____
 Eighteen months of special 100% Federal support _____ ✓ *
 Treat new refugees like the refugees already admitted _____

*(recommended by OMB, NSC, Eizenstat
 and Lipshutz)

**Electrostatic Copy Made
 for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

Date: July 26, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat *attached*
Bob Lipshutz - *recomm opt II*
Frank Moore
Jack Watson *re by whom*
Joe Aragon *concept*
Zbig Brzezinski *attached*

FOR INFORMATION:

The Vice President

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Lance's memo dated 7/25/77 re Extension of the
Indochinese Refugee Assistance Program.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Thursday

DATE: July 28, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

7-25-77

TO: Rich. Hutchinson

For Your Information: _____

For Appropriate Handling: ✓

RSL
Robert D. Linder

THE WHITE HOUSE
WASHINGTON

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	<input type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	<input type="checkbox"/>	JORDAN
<input checked="" type="checkbox"/>	<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	<input type="checkbox"/>	MOORE
<input type="checkbox"/>	<input type="checkbox"/>	POWELL
<input checked="" type="checkbox"/>	<input type="checkbox"/>	WATSON
<input type="checkbox"/>	<input type="checkbox"/>	LANCE
<input type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron with 48 hours; due t Staff Secretary next day	

<input checked="" type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input checked="" type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
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<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

Date: July 26, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Bob Lipshutz
Frank Moore
Jack Watson
Joe Aragon
Zbig Brzezinski

FOR INFORMATION:

The Vice President

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Lance's memo dated 7/25/77 re Extension of the
Indochinese Refugee Assistance Program.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Thursday

DATE: July 28, 1977

ACTION REQUESTED:

☒ Your comments
Other:

STAFF RESPONSE:

☐ I concur. ☐ No comment.
Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

July 28, 1977

MEMORANDUM FOR: RICK HUTCHESON

FROM: JOE ARAGON *JA*

SUBJECT: LANCE MEMO re INDOCHINESE
REFUGEE ASSISTANCE PROGRAM

Please note that I do concur with the Lance memo.

I would like to stress that with reference to Question II, I also recommend Option #2, and fully support the recommendation to place the refugees on a three-year stepped program of assistance like that for the original 150,000 refugees, at the end of the 18-month period.

THE WHITE HOUSE

WASHINGTON

July 29, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
FRANK RAINES

Stu

SUBJECT:

Indochinese Refugee
Assistance Program.

Bert Lance has sent you a memorandum recommending you approve a request by Secretary Califano for a budget amendment to extend the Indochinese Refugee Assistance Program.

There are two issues requiring your decision. First, whether the program for the 150,000 previously admitted refugees should be phased out over three years rather than terminated on September 30. Second, how should welfare expenses be handled for the 15,000 refugees about to be admitted.

OMB Agrees that the program for current refugees should not be terminated September 30, which is a change from the position the Administration took in its FY 1978 budget. They present you with two options on phasing out the program over three years. One option proposed by HEW would reduce federal assistance from 100% the first year to 75% and 50% in subsequent years. An alternative is to have a 75% federal match the first year, then 50% and 25% in later years. The federal government currently pays 100% of the costs. We concur with OMB that the phase out proposed by HEW is preferable. Not only will it help to maintain state cooperation in future resettlements but it will also give states time to adjust their programs to pick up the declining federal share of expenses.

OMB presents three options on dealing with the welfare expenses of the 15,000 new refugees. One is to provide 100% federal funding of their costs for three years. The second is to provide 100% funding for only 18 months and thereafter treat these refugees in the same manner as the original 150,000. The third option is to put them on the phase out schedule of the current refugee program immediately. The major issue here is how much of the financial burden should be placed on the states. The states with large refugee populations can be expected to resist additional resettlements if they will have

to bear the majority of the costs. We agree with the OMB recommendation that the federal government pay 100% of the costs of the new refugees for 18 months and thereafter phase out the program in line with the program for the current refugees.


Should you decide to accept the OMB recommendations we will need to seek a new authorization and a supplemental appropriation. Several members of Congress stand ready to lead this effort on the Hill. It will be important to emphasize that we are still committed to phasing out the Indochinese refugee program and that we will resist any efforts to continue the program as the Cuban program has been continued.

We have begun to meet with the State Department in the inter-agency effort you directed to develop a long-term policy toward refugees in Indo-China.

NATIONAL SECURITY COUNCIL

July 28, 1977

MEMORANDUM FOR RICK HUTCHESON

FROM: CHRISTINE DODSON 

SUBJECT: Extension of Indochinese Refugees Assistance Program

The NSC concurs with OMB's support of the HEW proposal concerning the mode of extending the existing program for the previously admitted 150,000 refugees.

The NSC concurs with the OMB recommendation of 18 months of special 100 percent federal support for the 15,000 refugees about to be paroled. However, we note that OMB's memorandum to the President does not clearly state that this is an OMB option which compromises between Options 1 and 3. It has not been cleared with other departments as far as we know. Option 1 (three years of special 100 percent federal support) had earlier been supported by HEW and Labor.

In addition, the OMB memorandum does not address the legislative agenda. Given the calendar on the Hill (with the August recess) and the expiration of the current authorization on September 30, the Administration's legislative proposal ought to be on the Hill by COB Monday, August 1. It must be reported out of Committee by August 6, if the Bill is to be considered in September, according to the rules under which the Congress is now operating. In addition, submission of the Bill must be done in cognizance that Eilberg will be holding hearings on the parole issue on August 4. The language of the Administration's proposal ought to take cognizance of Eilberg's hearings, in that the request for welfare funding for the 15,000 should be stated conditionally and in deference to Eilberg's prerogatives. The legislative drafters, in short, should be in contact with Clay McManaway at State, who is now heading the Inter-agency Task Force dealing with the Indochinese refugee problem.

Date: July 26, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Bob Lipshutz
Frank Moore
Jack Watson
Joe Aragon
Zbig Brzezinski

TD
↓

FOR INFORMATION:

The Vice President

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Lance's memo dated 7/25/77 re Extension of the
Indochinese Refugee Assistance Program.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Thursday

DATE: July 28, 1977

ACTION REQUESTED:

☒ Your comments
Other:

STAFF RESPONSE:

☐ I concur. ☐ No comment.
Please note other comments below:

Note 2
recommendations
on attached sheets.
AJ

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL 25 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: Bert Lance

SUBJECT: Extension of the Indochinese Refugee Assistance Program

You recently approved Secretary Vance's request that 15,000 Indochinese Refugees be paroled to the U.S., but you withheld a formal announcement pending a decision on extension of the Indochinese Refugee Assistance program for the approximately 150,000 at present in the U.S. and what support would be provided to the newly admitted refugees.

HEW Proposal for the Previously Admitted Refugees (150,000)

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The HEW proposal would provide special Federal aid for those refugees who qualify only for State general assistance. Those who meet the eligibility criteria for the Aid to Families with Dependent Children (AFDC) or Supplemental Security Income (SSI) programs when the present refugee program ends on September 30 would be picked up under those programs. Under the HEW proposal, social and medical services, cash assistance, special employment, training, and mental health projects and State/local administration would be eligible for Federal financing.

The key elements of the program are displayed below:

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Federal cost (\$ in millions)	98	63	36	0

Background

In 1975, the Congress enacted a special assistance program for the approximately 150,000 refugees fleeing Indochina. The refugees were brought to staging camps in the U.S. and released under the aegis of State or private voluntary agencies for resettlement in various parts of the country. Upon resettlement, HEW began to reimburse the States 100% for welfare and medical expenses of needy refugees. (At present, about 36% of the refugees receive cash assistance and that number is expected to grow to 40%.) A per capita payment was made to school districts where school-age refugees were resettled, and grants were also made to improve the job skills and language abilities of the refugees.

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There is strong pressure from certain States and their congressional delegations (especially California and Minnesota) to extend the present program because of the continuing burden that the refugees represent and because the presence of the refugees in this country is the result of Federal actions. Congressman Pete Stark of California has already introduced such a bill to extend the program on a more liberalized basis than the HEW proposal.

The refugees continue to experience high, and growing, rates on public assistance (36% of refugees were on public assistance in the most recent survey). While as many as 94% of the male heads of households are employed, they tend to have relatively low-paying jobs and large numbers of dependents, so that they qualify for welfare (usually for the States' general assistance). HEW anticipates that as many as 30% of the refugees could be eligible for States' general assistance.

Senator Humphrey has written to me in support of extension of the present special program and indicates that he has spoken with you on this matter.

I. Options for Extending the Existing Program for the
Previously Admitted 150,000 Refugees

1. HEW Proposal - Seek legislation to phase down the Federal support for the present program over the next three years. Limit the program to persons and services not covered by the national public assistance programs. HEW estimates the three-year cost at \$197 million.

Advantages: Responds to the fact that the refugees represent a continuing special burden on the States, yet limits the scope and the level of special Federal assistance. Places a definite end-point in time on the special Federal program.

Disadvantages: Reduces the level and extent of Federal support when the States' Indochinese welfare recipients are increasing.

2. Selective Support - Phase down Federal assistance at a faster rate (i.e., 75%, 50%, 25% vs. HEW's 100%, 75%, 50%) and eliminate the special projects and social services contained in the HEW proposal. Rely, instead, on other Federal programs (such as CETA and Title XX social services) and especially on existing discretionary funding to meet such needs. We estimate the three-year cost at \$146 million.

Advantages: Similar to Option #1, and in addition could serve the refugees more via regular programs with a broader array of services, thus enhancing the likelihood of terminating the special Federal program on the scheduled termination date.

Disadvantages: Similar to Option #1, but would place a greater burden on the States and thus raise stronger opposition. Also, requires a more active effort by the States, and greater receptivity by program officials, to utilize alternative regular programs to meet the refugees' needs.

As you may wish to gain greater State cooperation in resettling the refugees, the higher resource level associated with HEW's proposal prompts us to recommend its adoption.

Decision

HEW Proposal _____

Selective Support Alternative _____

Other _____

Recommend. RJS

II. Options for Providing Special Federal Assistance to the 15,000 Indochinese Refugees About to be Paroled

1. Provide 100% Federal funding for three years for public assistance and related expenditures that would help the refugees become employed and self-supporting. HEW estimates the three-year cost at \$36 million.

Advantages: Recognizes the special and distinct burden the new refugees represent for States and localities (and is parallel to treatment of the earlier refugees), and may thereby enhance the chances for success in phasing down special assistance for the 150,000 refugees already in the U.S.

Disadvantages: Treats the new group of refugees differently from the refugees already admitted, which may result in administrative burdens on States and localities, and raise pressure to provide support for the present 150,000 refugees on the same basis (i.e., 100% Federal funding) as the 15,000 new refugees. Contrasts with the phase-down in Federal support for the refugees at present in the U.S., and may thus provide basis for extending support beyond three years.

2. Provide 100% Federal funding as in Option #1, but for a shorter period, e.g., 18 months which would approximate more closely the amount of time that the original group of refugees could receive public assistance. The three-year cost would be approximately \$20 million.

Advantages: By shortening Federal support for this group, this option may enhance termination of all special Federal support in three years. May encourage quicker and more successful integration into U.S. society.

Disadvantages: Lower chances of success with the Congress since this option places greater burden on States and is incongruent with the length of support for the original 150,000 refugees. In addition, it is cumbersome to administer.

3. Treat new refugees to be paroled in the same way as those refugees already in the U.S. Costs would be roughly \$18 million.

Advantages: All Indochinese refugees would be treated consistently and State and local administrative problems would be simplified. Provides logical basis for terminating special Federal support for all Indochinese refugees after three years.

Disadvantages: Inconsistent with the original degree of Federal support (100% Federal funding) provided to the States for 150,000 refugees already in the U.S., and thereby places greater burden on States and localities. This may raise greater opposition.

We recommend approval of Option #2, providing 18-month special Federal support at 100% funding. This would help limit the duration of a special Federal program and encourage the States to accept the phase-down of Federal assistance. We would also recommend placing these refugees on a three-year stepped program of assistance like that for the original 150,000 refugees, at the end of the 18-month period.

Decision

Three years of special 100% Federal support _____
Eighteen months of special 100% Federal support _____
Treat new refugees like the refugees already admitted _____

*Recommend
R. J. F.*

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Bob Lipshutz
Charlie Schultze
Stu Eizenstat

Re: "Release Time" for the Monthly
Unemployment Figures

The attached was returned in the President's
outbox and is forwarded to you for your
information and appropriate action.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION
FYI

	MONDALE
	COSTANZA
✓	EIZENSTAT
	JORDAN
✓	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	LANCE
✓	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

July 30, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Robert J. Lipshutz *RJL*
SUBJECT: Letter from Senator Proxmire relating to the
"Release Time" for the Monthly Unemployment
Figures

The attached letter of July 8 from Senator Proxmire to you was referred to me.

We consulted with both the CEA and the Domestic Council.

Attached is a proposed response which would be written by me on your behalf, which has been approved by Dr. Schultze and by Stu's Deputy, David Rubenstein.

Please advise if you approve of my responding in this manner.

_____ Approve ☒ Disapprove

*Why not change to a
verbal report Schultze →
President?*

J

RICHARD J. JOLLING, MO., CHAIRMAN
HENRY S. REUSS, WIS.
WILLIAM S. MOORHEAD, PA.
LEE H. HAMILTON, IND.
GILLIS W. LONG, LA.
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CLARENCE J. BROWN, OHIO
GARRY BROWN, MICH.
MARGARET M. HECKLER, MASS.
JOHN H. ROUSSELOT, CALIF.

JOHN R. STARK,
EXECUTIVE DIRECTOR

Congress of the United States

JOINT ECONOMIC COMMITTEE

(CREATED PURSUANT TO SEC. 3(A) OF PUBLIC LAW 304, 78TH CONGRESS)

WASHINGTON, D.C. 20510

1977 JUL 8 PM 3 01

RECEIVED AND SECURITY UNIT
THE WHITE HOUSE
WASHINGTON

July 8, 1977

The Honorable Jimmy Carter
The White House
Washington, D.C.

Lipshutz
11 JUL 1977

Dear Mr. President:

Recently the Bureau of Labor Statistics changed the release time for the monthly unemployment figures from 10:00 a.m. to 9:00 a.m. on the day of the release.

This was done so that the figure would be generally available to the public before the markets opened. Previously some officials in the government and members of the press got it as much as an hour before the release time. There were allegations or suspicions that it was possible for such persons, or others who were tipped off, to speculate in the market using the information not available generally.

Personally, I wholly concur with this change in release time.

However, there is still one exception to this rule. The Commissioner of Labor Statistics, under an OMB order of long standing, gives the figure to the Chairman of the Council of Economic Advisors for transmission to the President from 24 to 36 hours in advance of its general release.

While the hearings I held today indicate that there have been no allegations or suspicions that either you or President Ford or Mr. Schultze or Mr. Greenspan were ever involved in speculation of any kind, some problems still remain.

Staff members of the Council of Economic Advisors write the memorandum for the President giving him the figure and its implications. That memo may be seen by staff in the President's office. It is not known whether present or past Chairmen of the CEA or you or past Presidents pass the information on to other high officials in the government whose staff may also be informed before the official release time.

The Honorable Jimmy Carter
July 8, 1977
page 2

I am therefore writing to urge you to change this policy so that you and your CEA Chairman get the figures at the same time they are available to other officials and the press. I suggest this for at least three reasons.

First, there would then be no chance that anyone could be charged with any speculation based on having early notice of this single most important figure put out by the government.

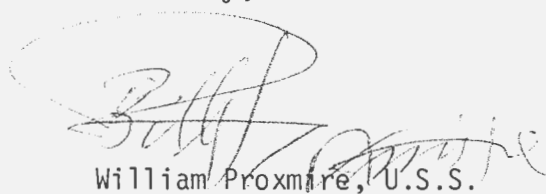
Second, in my view there are no major policy actions or decisions based on the unemployment figure alone which could be or need be taken in the 24 to 36 hours during which the Chairman of the CEA and the President have advance notice of the figure.

Third, it is entirely in line with your policy, as exemplified by walking in the Inaugural Parade and in doing away with portal to portal limousine service for White House staff, of an egalitarian Presidency.

For these reasons I urge this course of action.

With best wishes.

Sincerely,



William Proxmire, U.S.S.

WP:hse

THE WHITE HOUSE

WASHINGTON

July 29, 1977

Dear Senator Proxmire:

The President asked me to respond to your letter of July 8 concerning the traditional practice of providing the President with information on economic statistics in advance of their public release.

It has been a long-standing practice for statistical agencies of the Federal government to inform the President fully on important developments in the U.S. economy by transmitting new data to him through the Chairman of the Council of Economic Advisers. The President is mindful of the potential for abuse of these data, however, and he has established strict procedures for handling them.

The Chairman of the CEA is notified when new statistics become available. Ordinarily, he receives a phone call about 24 hours before the official release time. Sometimes the information is passed on to the President orally. Generally, however, a memorandum interpreting and evaluating the new information is prepared for the President's use by the Chairman of the Council personally, or by one of the other two Council members. It is sent to the President in a sealed envelope marked "Eyes Only." This memorandum goes directly to the President without being read or reviewed by any staff member at the White House. We believe that these procedures provide an adequate safeguard against leaks of these data.

You suggest the additional possibility that members of the Administration may themselves misuse this information. While the President has absolute confidence in the honesty and discretion of his advisers, I would point out that additional safeguards exist. Individuals who handle these data file regular public reports of their assets. If any malfeasance were suspected, it would be relatively simple for members of Congress or the press to examine these personal financial reports and ferret out the facts.

The President wishes to continue to receive prompt notice of unemployment data and other statistics. He feels it is vital that he have immediate access to all information available in every area of the Government. There are several reasons for this:

Reactions by the Administration to economic developments have a significant impact on the public. The President feels that it is important that his Economic Adviser have as much time as possible to analyze new statistics so that the President and his staff can be prepared to respond in a measured fashion to public inquiries once the data are released.

Advance notice of statistics also plays a role in the President's decision making. No major economic decision hinges on the movement of a particular statistic in a single month. However, the addition of an important piece of evidence to others can indicate basic trends in the economy that can be a critical factor in Presidential decisions.

Furthermore, the President is in almost continuous contact with representatives of foreign governments, with business and labor leaders, and with senior government officials in discussions that are wide ranging in scope. He must be fully briefed on developments in all areas that might be of significance in these interchanges.

The President appreciates fully the concerns you have raised in your letter, and intends to enforce the above described safeguards on the confidentiality and proper use of statistics. He considers his immediate access to these data to be vital to the proper execution of his duties, and he will continue to receive them.

Sincerely,

Robert J. Lipshutz
Counsel to the President

The Honorable William Proxmire
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON
August 1, 1977

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: ADMIRAL RICKOVER'S STATEMENT
TO THE SUBCOMMITTEE ON
EDUCATION, ARTS AND HUMANITIES
ON JULY 14, 1977

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION
FYI

	MONDALE
	COSTANZA
X	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	LANCE
	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

STATEMENT OF
ADMIRAL H. G. RICKOVER, U. S. NAVY
TO THE
SUBCOMMITTEE ON EDUCATION, ARTS, AND HUMANITIES
OF THE
COMMITTEE ON HUMAN RESOURCES
UNITED STATES SENATE
JULY 14, 1977

Chairman
full
Stu
info
J

Thank you for the opportunity to present my views on American education to this distinguished Committee.

In my search for people capable of meeting the demands of the Naval Nuclear Propulsion Program, I have had a unique opportunity to judge the products of our schools. Over the last three decades, I have interviewed thousands of top graduates of our colleges and the Naval Academy in search of young people with intelligence, integrity, and initiative. In these people, I look not so much for technical competence—we will teach them that—but for the ability to think for themselves, to understand the basic principles of the courses they have taken, and to speak clearly. From what I have seen, our schools are not providing a good education.

The heart of any civilization is its education. Of the glories of ancient Greece, none was greater than Plato's Academy. Of all that the Middle Ages created, nothing was greater than the universities. Of the spirit of the Renaissance, it is humanism that is its greatest legacy. We will be tomorrow what our schools are today.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

August 1, 1977

Stu Eizenstat
Jack Watson
Charlie Schultze

Re: Welfare Reform Memo

The attached was returned in the President's outbox and is forwarded to you for your information and appropriate action.

The comments made on Secretary Harris' memo will be summarized and forwarded to her by this office.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

*left memo to Harris from me
relaying Pres's comments*

	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION
FYI

of whole packet

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	COSTANZA
<input checked="" type="checkbox"/>	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
<input checked="" type="checkbox"/>	WATSON
	LANCE
<input checked="" type="checkbox"/>	SCHULTZE - his memo only

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
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	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

~~SECRET~~
THE WHITE HOUSE
WASHINGTON

Mr. President:

Also attached are analyses of
the HEW/Labor welfare proposals
by:

Schultze

Jim Parham

Patricia Harris (with
comment from Eizenstat)

Rick

THE WHITE HOUSE
WASHINGTON

7-28-77

Sen Long

a) Mother/child - job avail.
Mother not take job until
14 yrs old. ridiculous
children important

b) People who can/should
work claim ^{fake} job not available.
should say certain people
should not work (Mother &
3 children) = 250,000 jobs
not avail in WIND

c) Needs to see California

2:00 PM

THE WHITE HOUSE

WASHINGTON

July 27, 1977

~~THE~~ PRESIDENT HAS ~~SENT~~

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
BERT CARP
FRANK RAINES
BILL SPRING

SUBJECT: Welfare Reform Memo

Secretary Califano has provided you with a lengthy memorandum describing agreements which have been reached by the Departments of HEW and Labor with respect to the welfare reform program.

We believe the Departments have worked well and constructively within the basic themes identified in the Principles announced May 5, and the constraint of "no new initial cost".

The new system:

- Is simpler and easier to administer;
- Contains strong incentives for work, and for private sector work in particular;
- Largely eliminates discrimination against intact families, and by providing jobs to family heads strengthens family structure;
- Provides benefits uniformly based on present income, unlike the present AFDC system which permits recipients, once on the program, to retain benefits at higher earning levels than those who have never been on the rolls.

However, -- like previous efforts -- we believe this reform proposal will engender both liberal and conservative opposition, and that Congressional enactment will be difficult to secure. While House response is uncertain, the Senate under Chairman Long's leadership is likely to move in the direction of reducing the benefits to recipients under this program, requiring

mothers with small children to "work off" existing benefits, and investing the savings in tax incentives (of dubious real value) for employment of low-income persons both in business and in providing household and other personal services.

The purpose of this memorandum is to briefly sketch the political and substantive problems, and assess the desirability of incremental additions to the basic program. A brief summary of changes in the basic program is attached.

I. THE POLITICS

There are three fundamental constituencies for welfare reform:

- those who wish to see the overall cost of welfare programs reduced, producing savings to the taxpayer;
- those who wish to see benefits to individuals (both in jobs and cash) markedly increased;
- States and local governments, who want fiscal relief.

The HEW-Labor proposal does not reduce the size of the total federal/state welfare effort, in either the long or short term.

The HEW-Labor proposal does provide modest fiscal relief to the States -- between \$1.1 and \$3.7 billion, depending on State choices to help those disadvantaged by the new uniform benefit structure. \$2.5 billion may be a good average figure.

The proposal does provide increased aggregate benefits to low-income Americans, with 17 million "better off". However, of existing AFDC recipients, more lose benefits than gain. 6.5 million recipients would be made worse off under the basic plan with expected state supplements, with an average loss of \$400 per recipient.* We can expect to be criticized severely for the "worse-offness", even though 75% of those made worse off are above the poverty line. Credit for "better-offness" will be more reserved, because the improvement is largely

* This estimate of those made worse off corresponds to a \$3.7 billion fiscal relief figure. To the extent States depart from the new uniform structure, with "grandfather" provisions or permanent deviations, both fiscal relief and "worse-offness" would decline. Thus, to the extent a state holds harmless existing AFDC recipients and thereby mitigates the reduction in their benefits under the proposed plan, the states at the same time are effectively reducing their fiscal relief by a like amount.

provided through low-wage jobs -- and the size of the wage will be sharply criticized by organized labor and civil rights/poverty groups.

II. MAJOR SPECIFIC PROBLEMS

In addition to the issues discussed above, the following concerns will be strongly voiced:

- (1) "Worse-offness" versus fiscal relief. The current proposal provides fiscal relief to states in the range of \$2.5 billion, and at the same times leaves almost half of current AFDC recipients (25% of them below the poverty line) worse off by an average of \$400 per recipient (much more per family), for a total of \$2.6 billion. Moreover, in 12 Southern states cash payments under the new program would exceed present combined federal and state spending on AFDC, SSI and food stamps. (Note, however, that "holding harmless" those made ineligible by the new program -- if they so choose -- would eat into fiscal relief in these states.)

We believe the appearance of a direct transfer from current AFDC recipients to fiscal relief will be difficult to defend.

Recommendation: We strongly recommend --

- That limits be placed on the proportion of fiscal relief to be received by any state (maintenance of effort) at least for the initial years of the program;
- That the formula be constructed so as to provide greater relief in those states which have contributed the greatest share of their own (and local) funds;
- That the savings be reinvested in reducing "worse-offness" either through "grandfathering" existing recipients (perhaps only to the extent they are below the poverty line), or expanding benefits.

Sounds good

Developing proposals along these lines requires HEW's computer capability. But we believe options could be quickly constructed that would preserve substantial fiscal relief in high-effort states, improve benefits somewhat, and reduce the appearance of a tradeoff between welfare recipients and fiscal relief.

We would urge that HEW be asked to explore such options and report back on Monday.

- (2) Work incentives for current AFDC recipients. Under current law, welfare mothers can disregard from earned income in calculating welfare benefits: \$30, plus work-related expenses, (including day care, social security taxes, and transportation), plus 1/3 of additional earnings. Under the new program these "disregards" (which are enormously complex to administer) would be abolished. Instead, under the basic federal plan, recipients would be allowed to flatly disregard 50% of earnings. However, in the majority of states which supplement the basic benefit, the amount of this disregard would decrease proportionately, to a minimum of about 30%. The result is a clear decrease in work incentive for women with children now eligible for AFDC, and a loss of income which accounts for a share of the "worse-offness".

Long, won't buy

Recommendation: This problem is essentially unavoidable if gains in equity and administrative simplicity are to be achieved. Under the proposal, until their children reach age 14 single-parent family heads are not required to work, are given a higher basic cash support level than two-parent families, and are given the same access to job placement and public service employment if they wish to work. Moreover, under the proposal the Earned Income Tax Credit makes up for the former disregard of social security taxes.

One additional change might be considered: Secretary Califano has recommended adoption of a child care disregard or deduction equal to 20% of earnings for single parents or the lesser earner in a 2-parent family, at a cost of \$0.5-\$0.8 billion. We would suggest considering this approach limited to 1-parent families. This approach should help in a targeted way to reduce worse-offness and increase work incentives. It would parallel the day care tax credit which benefits the middle-class. Our suggestion would have a smaller cost than the HEW proposal.

- (3) Incentives for private sector work. The proposal in its present form provides clear incentives for participants to seek private sector jobs:

- the EITC would be available only to those in private or normal public jobs;

- the proposal limits PSE jobs to 52 weeks, with strong job search requirements and financial penalties before reentry to PSE is permitted.
- the Employment Service and local governments will undertake more effective placement efforts.

The proposal also provides for a strong effort by DOL and State and local governments to enter into training arrangements with private business.

However, this will not satisfy Senator Long and others who will want to provide a tax incentive for business and private persons to create jobs (as Representative Ullman did on the tax bill earlier this year). The approach has been considered and rejected by DOL as unlikely to produce real job-creation gains.

Recommendation: In the Message to Congress stress the private sector incentives, and the commitment to training arrangements.

- (4) Medicaid. We will be criticized for not having an answer to the Medicaid problem.

Currently, in general, AFDC and SSI recipients are categorically eligible for Medicaid. When an AFDC recipient works his or her way off welfare, the Medicaid benefit is lost; this work disincentive is the so-called "Medicaid notch."

The Califano memo essentially recommends that the Administration postpone a decision on the relationship between the new welfare program and Medicaid until National Health Insurance is submitted next year, and that in the interim the bill we submit this summer simply retain existing eligibility standards for Medicaid.

While this is the only available short-term resolution, the credibility of the welfare reform bill rests on coming up with a sound answer next year. Note that:

- States currently spend more on Medicaid than AFDC, and Medicaid costs are growing rapidly;
- Preserving existing eligibility once the new welfare system is in place would force two duplicative and wasteful eligibility processes;

- Preserving existing eligibility standards discriminates against intact families and perpetuates the Medicaid "notch".
- Extending Medicaid benefits to all participants in the new program (intact families and singles and childless couples) would be expensive for both federal and state governments and would also continue the "notch".

Recommendation: Accept Secretary Califano's proposal, but stress that an early solution must be found.

* Can't we
do better?

(5) The "filing unit". Under existing law benefits for families under AFDC and for the aged, blind and disabled under SSI are based on the income of the nuclear family. Under the constraint of "zero cost" HEW proposed a broad filing unit -- essentially counting the aggregate income of all persons living together. This sharply cuts benefits for persons who can now file separately while remaining with the family unit: elderly persons living with children, AFDC children living with relatives or foster parents, women with children (including teenagers) living with parents.

In addition, states have strongly objected to the narrow filing unit as encouraging family breakup and forcing the states to implement their own program to fill the gap.

Recommendation: HEW has already modified the SSI filing unit in its revised basic plan, to permit elderly, blind and disabled persons to file independent of those they live with. We agree with Secretary Califano that the filing unit for other families should be narrowed.

We agree with Secretary Califano's proposal that a nuclear family (parent or parents with children) should in all cases be allowed to file separately, based on its own income, even if living in a larger family. This would permit young mothers to remain with their own parents. However, adult single persons (except the aged, blind and disabled) living with others would have to base their eligibility on the income of the broader group.

At a cost of \$0.8-\$1.2 billion, this change would reduce "worse-offness" by 900,000 persons; meet a primary concern of the states; and avoid an incentive to split families. Despite the additional cost entailed here, we think that the HEW proposal is essential to avoid family break-up.

- (6) Supplementation of wages and cash benefits. In order to prevent massive benefit reductions, states with high AFDC and SSI benefits must be allowed to supplement the benefit for those not expected to work.

If the cash supplement for those who do work is not increased comparably, the incentive for both private employment and acceptance of PSE will decline. Similarly, if some supplementation of PSE wages does not occur, the incentive to escape the job and achieve access to the not-expected-to-work benefit (through family-splitting or classification as disabled, etc.) will increase. Therefore, the basic plan proposes:

- No supplementation of either wages or cash benefits for those expected to work, except to the extent the higher tier cash benefit is supplemented, thereby maintaining the differential between groups.
- *? • If the benefit for those not expected to work is supplemented, both the lower tier benefit and the wage must be supplemented proportionately, with a 10% cap on wage supplementation above the minimum wage.

Recommendation: States may object that this system robs them of discretion and potential fiscal relief. However, it appears that the approach in the HEW-Labor memo is necessary to maintain the balanced incentives of the federal program. Although federal matching for supplementation of cash assistance would be available on a limited basis, wage supplementation should, in our view, be entirely at state expense.

- (7) "Work leaders". The HEW-Labor memo proposes additional flexibility to pay 25% above the base wage to 15% of the PSE workers in order to create a mini "job ladder" and provide an incentive for productivity.

Recommendation: While we agree that such an incentive would be useful, it has a cost of roughly \$400 million which you may wish to allocate elsewhere within this welfare plan.

- (8) Work requirement for mothers with children. The HEW-Labor proposal places no work requirement on single-parent family heads with children under 14 (although such family heads have full access to job placement services and PSE, and many will work full or part-time). There will be pressure from conservatives to reduce this age.

Long will
never buy
this -

However, reducing the age would require increases in the PSE program, create pressure to fund additional day care slots and -- more important -- commit us to the questionable policy that mothers of elementary school children should be required to place their children with others in order to work.

Recommendation: We agree with the HEW-Labor position that single-parent family heads with children under 14 should be encouraged, but not required, to work.

- (9) Insurance for states which supplement. In addition to immediate fiscal relief, high-benefit states should also be concerned with protecting themselves from dramatic increases in the cost of state supplementation during periods of recession. As you know, the current countercyclical revenue sharing program expires at the end of two years. We believe serious consideration should be given to a provision which would hold states harmless for additional costs of supplementary payments, (below a pre-established ceiling) when unemployment goes above 6%.

Recommendation: We recommend this approach, which has no budget impact during times of normal unemployment, and which has a constructive countercyclical impact in times of high unemployment. Note that in the low-benefit states which do not supplement, the basic federal plan would automatically expand in times of high unemployment. Our recommendation may make states more willing to accept less direct fiscal relief in return for future protection.

III. THE EARNED INCOME TAX CREDIT

In high-benefit states which will supplement the basic federal benefit, the structure of our plan would dictate effective reduction rates for earned income of up to 86% for those in the not-expected-to-work tier, and 68% for those expected-to-work. "Tax rates" in this range constitute clearly unacceptable disincentives to work. Correcting them within the structure of the plan itself would force either: (1) sharp reductions in benefits or (2) adding many additional persons to the rolls with incomes higher than those presently covered. Both are unacceptable and so a new alternative was sought.

The HEW-Labor memorandum proposes correcting this problem by extending the existing Earned Income Tax Credit from 10% of the first \$4,000 of earnings to 10% of the first \$9,000 (adjusted for family size), phasing out at 15 cents from each

added dollar. This will reduce the maximum "tax rate" for those in the not-expected-to-work tier to 66%, and in the expected-to-work tier to 48%. The cost of the more generous credit to those within the new welfare system is included in the basic program estimate. However, taking this approach requires providing roughly \$4 billion in additional benefits to lower income persons above the level covered by the welfare plan. The EITC, intended to compensate for social security taxes paid by low-income wage earners, becomes, under this approach, a means of integrating the tax and transfer systems.

Recommendation: If some change along these lines is not made, reduction in benefits or increases in cost and caseloads of the basic plan will be needed. We recommend adoption of the revised EITC as a combined tax and welfare reform initiative. This would cost \$4 billion above "no cost". However, some of this additional cost might well have been included in our tax reform effort, because our tax reform package, to be balanced, would have to address non-taxpayers as well (just like our \$50 rebate). In addition, Congress is likely to expand the earned income tax credit, at any rate, as part of tax reform. HEW came up with this earned income tax credit notion quite recently when the benefit reduction rates became obvious to them. As soon as we recognized this we brought the Treasury Department into the deliberations and they have now been meeting with the HEW people to see if this issue can be resolved. We have encouraged Secretary Blumenthal to write a separate memorandum to you on this issue and to attend this portion of the Thursday meeting.

IV. COST

The original "no additional cost" figure agreed on last May was \$25.8 billion. HEW and Labor estimate the cost of the basic proposal at \$28.9 billion. In addition, to make this plan work, \$3-4 billion must be added to the earned income tax credit benefiting persons outside the welfare system (see above). HEW would balance the \$3.1 billion in additional direct costs with the following "zero cost" offsets:

- Wellhead tax revenues - \$1.3 billion.
(Our Energy Message stated that the wellhead tax rebates would go to non-taxpayers as well as taxpayers to offset the increase in energy costs to the poor as well as to taxpayers.)
- HEW budget savings - \$400 million.

- o Automatic savings to HUD from increased welfare/jobs payments - \$550 million.
- o Increased Social Security revenues and decreased unemployment insurance payments \$700 million.

These adjustments would bring the program within \$150 million of "zero cost".

We would emphasize that -- regardless of the "zero cost" analysis -- the \$3.1 billion in additional expenditures and the \$3-4 billion in earned income tax credit cannot be subtracted from the HEW-Labor plan as it now stands without seriously damaging its credibility.

Moreover, we have recommended in this memo expenditure of an additional \$1.3-\$2.0 billion to correct two serious problems -- reduced work incentives for single-parent family heads and an anti-family bias in the filing unit.

We note that there is some disagreement at this point between HEW-Labor and Treasury on the cost of the EITC and between HEW-Labor and OMB on other costs. Hopefully these will be resolved by Thursday.

* The proposal contains a provision to increase the federal basic benefit by 2% per year over a five-year period. This is intended to restore the 10% cut in the federal benefit made to accommodate state supplements. The effect of this provision will be to increase the basic benefit in states which did not supplement and increase the federal share in those states which did supplement. The cost of this provision is \$3 billion when fully effective. Given the necessary add-ons mentioned above, we think you should seriously consider deferring this increase. However, you should recognize that this will put off future fiscal relief to the states.

As you will remember during the campaign you indicated in a letter to Mayor Beame we would eliminate the local share of welfare costs, and phase down the state's share "as soon as possible" which I think we can legitimately interpret to mean as soon as resources permit. In our message I see no reason not to restate this goal. The first fiscal year in which this plan will become operative from a budget standpoint is probably fiscal year 1981. If, as we hope, our deficit by that time has been substantially reduced or eliminated, further increases would be proposed at that time.

In light of the fact that Congress will be in recess after August 6 for one month, you may wish to postpone submission of the plan until immediately after Congress comes back in early September, if you are not completely satisfied with the HEW-DOL proposal. There are some hard choices which are presented to you and the HEW computer remains somewhat in a state of flux with respect to costs and impact both on states and individuals. If you cannot accept the earned income tax credit recommendation, and I would urge that you do accept it, then a postponement is most certainly necessary. The welfare reform proposal will be one of the most important decisions you make in the next four years and a few additional weeks might clarify any questions which you may continue to have after Thursday's meeting.

The Thursday Meeting

In preparation for the Thursday meeting, we will prepare a concise list of the issues to be resolved.

Note that Secretary Harris has informed us she does not at this point agree with inclusion of any HUD funds in the welfare reform "pot", including the \$550 million HEW estimates would be saved in rent supplement payments from higher jobs/cash payments.

Major Changes From The May Proposal

I. Cash Assistance Program

The basic structure of the federal cash assistance program is unchanged from that presented to you in May. There are two tiers of assistance: one is an Earned Income Supplement Tier, which is intended to supplement the income of working people; and the other is an Income Support Tier, which is intended to provide basic support for those not generally expected to support themselves through earnings. The changes which have been made are caused by the incorporation of state supplements and the impact of the federal income tax system.

The HEW analysis revealed that permitting states to supplement in any fashion they chose would totally upset the structure of incentives built into the federal plan and might increase eligibility and costs. On the other hand, prohibiting supplements would cause millions of recipients in high benefit states to suffer a substantial reduction in their assistance payments. The Department has chosen to solve this problem by permitting states to supplement the federal program but requiring them to do so within certain federal rules. These are known as congruent supplements.

HEW has adjusted the federal benefit structure to make state supplementation easier. They have lowered the federal benefit by ten percent. This achieves three things: (1) it reduces the disparity between the new federal benefit and current benefit levels in low benefit states; (2) it reduces the federal and state supplement breakeven points, thereby reducing the number of beneficiaries and cost; and (3) it provides funds with which to subsidize the state supplements, which will encourage the states to supplement and shift fiscal relief to those states who choose to do so. The federal government would pay 75% of the supplement between \$4200 and \$4700 and 25% of any additional supplement up to the poverty line (\$6440 in 1978).

State supplements would be paid through the federal agency using the federal rules on eligibility and benefit computation. Once a state decided to supplement the income support tier (not required to work), they would be required to supplement the earned income tier and the public service jobs. This requirement is necessary to maintain the relative attractiveness of the earned income tier and the PSE job. The federal rules would also limit the benefit reduction rate imposed by the state supplement in order to retain the work incentives of the federal structure. (States could also provide supplements separate from the federal program.)

The federal tax system also caused problems for the original plan. If the tax threshold overlapped with the cash assistance program it would raise the tax rate on earnings for recipients by an additional 14% or more. Also, the Earned Income Tax Credit, as currently structured, phases down at a rate of 10% for income over \$4000, which means that it too would raise the effective tax rate on earnings. These occurrences would have seriously undermined the work incentives of the program.

To alleviate the problem HEW proposes two changes in the tax system. These are essentially tax reform issues but have significant consequences for the welfare reform plan. They propose that the federal income tax threshold be placed high enough so that no one receiving the federal cash assistance benefit would pay federal income tax. They also propose modifying the Earned Income Tax Credit so that it does not begin to phase down until the breakeven point of the cash system. This latter change has serious revenue consequences in the income tax system which are discussed elsewhere. The overall impact of the changes is to make the tax system and the cash assistance program essentially complementary.

II. Jobs Program

The basic structure of the jobs program remains the same. Between 1.1 and 1.4 million jobs will be created based on computer estimates of demand. There will not be an entitlement to these jobs, and if the number authorized proves insufficient the number will not be increased without a de novo review of the economic consequences. Certain changes have been made in eligibility for the jobs program, the pay schedule, the incentives toward private employment, and the treatment of persons for whom no jobs can be provided.

The Employment Service will attempt to find a non-subsidized job for any applicant. If such a job cannot be found for the primary worker in any family with children, the CETA system will provide a public service job. This is a change from the original proposal and provides access to the PSE jobs to the single-parent families in the income support tier, primarily women. Childless couples and single individuals remain ineligible for the PSE jobs. An eligible applicant will be required to engage in five weeks of job search before a PSE job is provided. During this period most of the applicants would probably be receiving unemployment insurance.

The pay structure in the jobs has been altered, with CEA approval, to provide for some limited promotion and to permit adjustment for high wage areas. Up to 15% of the workers sponsored by a local prime sponsor can be paid up to 25% over the minimum wage. In addition, as mentioned earlier, if the state supplements the income support tier, it must supplement the PSE wage. The maximum supplement of the wage is ten percent. The states would be required to absorb the cost of the ten percent supplement. The proposal has left open who will pay the 25% supplement.

The current plan retains the provision that if a person cannot be provided with a PSE job he becomes eligible for the income support tier (flip-up). No one will be flipped-up until eight weeks have passed in order to insure that a bona fide effort is being made to provide him with a subsidized or unsubsidized job. If a local CETA prime sponsor consistently fails to provide sufficient jobs (evidenced by a large number of flip-ups) the Secretary of Labor is authorized to designate a new sponsor for the program. PSE jobs last for 52 weeks, at which time the holder would be required to engage in additional job search. Job holders would be permitted to exit the program during the 52 weeks to take an unsubsidized job on a part-time or full-time basis.

SCHULTZE

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 27, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze ^{CLS}

SUBJECT: Round Two on Welfare Reform

The July 25 memo from Joe Califano outlines a proposal which is considerably refined from the earlier proposals. Subject to a few important reservations stated below (mainly in the jobs program), it is a program which meets the minimal needs of an income support system at reasonable cost. We feel that on the whole, it is economically sound, and constitutes a good beginning down the road to providing incentives to work and maintain families, to correct the tendencies for uneconomic migration, and to consolidate the various hodge-podge of Federal programs.

Subject to the reservations below, I recommend that you approve the package that HEW proposes.

There are, however, a number of specific questions that still need to be resolved, including the relationship of the earned income tax credit to the tax reform program. I urge that the delivery date to the Congress be extended until immediately after the recess to give us a chance to work them out.

My comments on specific parts of the package are as follows:

1. Jobs

Although the jobs part of the program is popular, it also has the potential for coming back to haunt us in the future. It is absolutely essential to retain all the way through Congressional passage, two key elements of the jobs program as they are now incorporated in the Califano memo. There will be very strong pressure to weaken these two elements:

1) The PSE jobs should be paid at wages equal to or only slightly above the minimum wage level.

- See Min Wage*
- o If the PSE wage is kept fairly close to the minimum wage and the number of jobs kept at 1.4 million, the disruption of local labor markets and the resultant loss of private sector GNP and increase in prices will not be too serious. Otherwise, we will have serious inflationary consequences.

- no*
- o If the PSE wage is allowed to rise significantly above the minimum wage but a cap of 1.4 million jobs is retained, the demand for the jobs will be much larger than the supply, and many eligible persons will not be served by the program.

2) The PSE job program should not be on an entitlement basis -- a "last resort" job program: we should put a cap on it and decide the amount of funds annually in the normal budget process.

- o We are embarking on a promising but untried experiment.

modification clear

The estimates of the demand for PSE jobs (1.4 million) is necessarily tentative; should the demand be much greater, and should we try to meet the demand, we could again disrupt private labor markets.

(There are several places in the memo which could leave the impression that we would attempt to create PSE jobs for all comers).

In addition, I recommend several specific changes to the job program as outlined in the Califano memorandum:

good

- . Strikers should be categorically excluded from the welfare program.

good

- . The work test should be rewritten so that all recipients in the "required to work" category must accept any suitable private job offered paying no less than the Federal minimum wage (rather than the Federal minimum plus the State wage supplement as it is now specified). Increasing the acceptance wage by even a small percent, raises the number of people who turn down private jobs for PSE jobs.

good

- . There is a major potential for abuse of this program by State and local governments (e.g., by using Federal funds to finance normal government operations). We strongly recommend that OMB work with HEW and Labor to devise strong audit and enforcement procedures.

good

- . Finally, and most importantly, no State supplementation to the minimum wage should be permitted except in States which have supplemented the cash grant above \$4,700. We are already automatically increasing the PSE wage by raising the minimum wage from \$2.30 to 53 percent of the manufacturing wage. This is sufficient in all but the highest supplement States (which, roughly speaking, are the high wage States).

2. Indexing

The HEW memorandum suggests indexing the plan. I propose that we hold off automatic indexing in the initial stages:

I don't
like indexing

- . The Federal cash assistance program will be tied to the tax system, which is not explicitly indexed. Indexation of the welfare program but not the tax system will impede further moves toward integrating the two systems.
- . Historical evidence indicates that indexation will reduce the possibilities for discretionary changes in benefit levels. Keeping a substantial amount of flexibility for future changes is important with a new program whose effect on work incentives and dependency can only be guessed.

- . Not indexing the program will allow distortions generated by various "grandfather" provisions to disappear automatically due to inflation. This is particularly true in the case of Federal matching of State supplements. While the proposal will have to temporarily mirror the gross inequities that currently exist in welfare payments across States, we should aim toward elimination of these differences.

3. The Earned Income Tax Credit

HEW recommends a very substantial EITC, amounting to 10 percent up to \$9,000 of income -- then phasing down to zero at \$13,000. This turns out to redistribute some of the revenue loss and the incentive problem to the Treasury.

ok
It will be very difficult to have a perfect plan of using the EITC to tie together the cash assistance and the positive tax system because of differences in filing units and family size. However, we agree with HEW that the EITC helps alleviate the disincentives to work for poor families. It is a desirable component of the program. On the other hand, it is unnecessarily generous as now formulated. We therefore recommend that it be scaled down so that it reaches a peak at \$8,400 and phases out at (approximately) \$10,500. This will substantially reduce its cost and make it more easy to integrate with the regular tax system, after reform.

4. Housing and Medicaid Benefits

Although the program attempts to consolidate Federal programs in one system, two particular programs -- housing and Medicaid -- are either omitted or only partially consolidated.

*
. There are sound reasons for imputing a fraction of housing subsidies into the welfare system. These subsidies do serve as cash supplements for low-income households or welfare recipients, and it is inequitable to provide higher benefits to a small fraction of the welfare population. However, the 15 percent imputation rate suggested by HEW is too high. It could represent a reduction of more than one-half of the housing subsidy for many welfare recipients. A lower rate, say 10 percent, should be considered as an alternative.

- . HEW proposes not to impute any of the value of medicaid in the cash allowances -- despite the fact that the value of medicaid is as much as the proposed Federal benefit for many welfare recipients. They suggest that consideration of integration of medicaid should wait until we propose national health insurance.

It seems highly likely that whatever route we go in national health insurance, there be some form of imputation. But there are very complicated problems involved. If you decide to wait until September for submission of the program, I recommend that we try to develop a way of partially integrating the medicaid program with welfare reform through an imputation of the value of medicaid benefits.

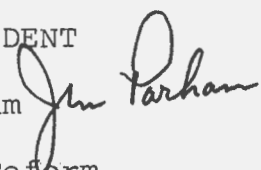
*
State - work
out details
before Sept.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

July 27, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: Jim Parham 
SUBJECT: Welfare Reform

Almost exactly eight years ago --- after six months in office --- President Nixon announced his plan for welfare reform. For a family of four, it included a basic guarantee of \$1600 per year, a \$720 per year (\$60/month) earned income disregard, and a 50 percent benefit reduction rate on additional earnings. He called his plan "workfare", included a strong work requirement, but no public service jobs. According to Tom Joe, the plan included a pledge that no current recipient would be hurt. The final version considered by the Congress provided a minimum benefit of \$2400 for a family of four, to be accomplished by a cash out of food stamps.

Adjusted for eight years of inflation, the guarantees discussed by President Nixon may turn out to be relatively more generous than the plan submitted to you this week.

In addition to the above, you should note that our proposed plan:

- admits to making "worse off" over nine million current recipients (some say the figure is higher), over 2.4 million of whom are acknowledged to have had pre-reform incomes below the poverty level;
- causes 1.9 million persons to fall below the poverty line;
- terminates eligibility for 6.5 million persons;
- makes "worse off" many recipients who are working and utilizing the work incentive provisions of current programs, although fiscal relief of \$4.6 billion is proposed to give states the "option" of lessening the "worseoffness" of recipients;

July 27, 1977

- targets \$3 billion of tax expenditures in the revised EITC toward families with incomes above the plan's breakeven point.

Admittedly, such comments as those above put the worst face on the plan, but the point should be clear.

Given the constraints imposed upon them, the planners have performed brilliantly and have worked to the point of exhaustion. In spite of this, however, my advice is that you reserve judgment on the plan and continue, after giving the planners a few days off, to seek more feasible approaches to the following objectives:

1. Fiscal relief rifle-targeted to counties and cities.
2. Utilization of current state expenditures to reduce recipient "worseoffness", limiting relief to states to nothing beyond a hold-harmless pledge at some base year.
3. Lifting the minimum federal benefit back to approximately 75 percent of the non-farm poverty index level. (It is now down to approximately 65 percent of the poverty index and is only about 40 percent of the Bureau of Labor Statistics "lower living level.")
4. Improving the targeting of the revised EITC with the aim of removing more of the low income "working poor" from any dependence on the cash assistance rolls.
5. "Hardening" the numbers which describe the costs and effects of reform. (Right now, there is considerable dispute among the technical experts as to the effects, i.e. gainers and losers, number of eligibles, number of participants, state costs, etc.)

** less
state relief -
less worseoffness*

I continue to believe there may be some advantage in dividing the "income maintenance" question into at least three segments:

- manpower training and development for those who have had only a marginal connection to the labor force;
- a tax-based subsidy for the working poor families;
- welfare grants for those who cannot be expected to be self-supporting.

July 27, 1977

In this connection, you might consider sending the Congress three separate messages and sets of legislation:

- The jobs component. You might indicate, in effect, that your "program" has already begun, by virtue of the stimulus package, the emphasis on targeting CETA VI opportunities to the low income group, the development of project jobs which will provide invaluable experience to us, etc. We could talk also about the three to four million persons who will not require welfare support because of this work opportunity, the value of the services they will produce, the multiplier effect of their wages on state and local revenues, etc.
- The EITC and the working poor. You might describe them appropriately in appealing terms (devotion to work ethic, inability to overcome lack of education and skills, inequity to their children, desirability of avoiding "welfare" status, etc.), and indicate other tax reform initiatives of benefit to low income families.
- The residual welfare group and the problems that must be faced in creating a set of national standards. The third message would also include a comprehensive review of the total problem of "income maintenance" and document the necessity for moving on a broad front.
Such a phased approach would provide a way to secure time to refine and harden the numbers regarding "costs" and "effects" without acknowledging any real postponement.

7
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THE WHITE HOUSE

WASHINGTON

July 27, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

Stu

SUBJECT:

Secretary Harris' Memo on
Housing/Welfare

I think you should be aware of the following points while reading Secretary Harris' memo:

(1) To the best of my knowledge, no one at a higher level in this Administration has ever proposed a massive cashing out of housing programs. It was simply one option put forward by joint OMB staff in the joint OMB/HUD study of housing policy which you requested during the OMB Spring Review.

(2) The welfare/jobs proposal will increase the income of low-income Americans. Since recipients of subsidized housing receive subsidies based on income, expansion of the welfare program will result in savings to HUD.

Secretary Califano does recommend that these increases -- on the order of \$400-\$500 million -- be returned to HEW for use in the welfare program rather than retained by HUD.

(3) In addition, a strong case can be made for counting a modest share of rent subsidy payments (perhaps 15%) as income for purposes of computing benefits under the new welfare system. Clearly this "imputation" should not be so great as to become a disincentive for participation in subsidized housing, but a moderate imputation could better integrate HUD subsidy with the welfare reform proposal and somewhat reduce the discrepancies in transfer payments between those who receive only welfare and those who receive both welfare and housing assistance.

Why not? However, my understanding is that Secretary Califano and Bert Lance do not intend to recommend this approach to you -- nor, in the light of events, do I. It is not worth the political fight.

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THE WHITE HOUSE

WASHINGTON

August 1, 1977

MEMORANDUM FOR

THE HONORABLE PATRICIA ROBERTS HARRIS
Secretary of Housing and Urban Development

Re: Housing Policy and Welfare Reform

The President reviewed your memorandum of July 26, 1977 on the above subject and made the following notations:


Page 3 - Item 1 - (Proposal to eliminate subsidized housing programs.....)

"Never made"

Page 4 - Item 3 - (Fiscal Dividend)

"No should go to HEW"

Please follow-up with appropriate action.


Rick Hutcheson
Staff Secretary

bcc - Stu Eizenstat
Jack Watson



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

July 26, 1977

MEMORANDUM TO: The President

SUBJECT : Housing Policy and Welfare Reform

Implementation of the Department of Health, Education and Welfare's proposed housing budget contributions to welfare reform costs would constitute a fundamental change in this country's housing policy. This "back-door" approach prevents full and serious discussion of the role of federally subsidized housing in strategies for urban revitalization, racial desegregation, economic stability, employment, and providing for individual needs. Each of these elements must be considered in determining whether there should be a federal housing policy, and what that policy should be.

First, each of the HEW proposals to redirect housing expenditures to welfare reform rests on a false premise that provision of subsidized federal housing is "inequitable." This is untrue. All potential recipients (i.e., housing deprived income eligibles) have equal access to the federal housing programs; budgetary constraints simply prevent HUD from serving all eligible households immediately. In fact, after Fiscal Year 1978, 18 percent of all eligible persons will be served by the federally subsidized programs. More persons would presently be served if the past Republican Administration had not virtually eliminated subsidized housing for three years. Moreover, just as only a portion of the eligible welfare population is expected to receive federal welfare benefits, so, too, the participation rate in the subsidized housing programs is expected to be less than 100 percent. The available data indicate a participation rate of approximately 50 percent, which means that after 1978 HUD will be serving over 30 percent of its potential participant population.

Percent of all income eligible households served by housing programs by 1978	18%
---	-----

Percent of income eligible households expected to participate that will be served by housing programs by 1978	30%
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The HEW proposal to include all or a part of federal subsidized housing costs within welfare payments is based upon the unarticulated assumption that the provision of federally subsidized housing is merely an in-kind welfare grant. This premise is invalid: housing needs of the poor cannot be met by a pure incomes policy, and especially not one financed at the low levels envisioned by HEW.

The HEW welfare proposal ignores several fundamental issues addressed by the present housing policy:

- o Cash grants are insufficient to provide housing for special groups--the marginally impaired elderly, the handicapped, and low-income families. New construction, rehabilitation and maintenance grants are essential to house these persons adequately.
- o Public housing projects are now occupied largely by welfare families. Evidence suggests that these projects could suffer from mass exodus because tenants may prefer cash to housing. As a result there might be a need for increased federal operating subsidies. In the absence of such subsidies, local housing authorities would default on government guaranteed bonds.
- o Welfare payments are not targeted to particular neighborhoods. Thus, they cannot be used in a concentrated way to foster utilization of existing residential areas, the preservation and revitalization of older neighborhoods, and racial desegregation.

- o There is considerable evidence that under cash grants without regular inspections, units will deteriorate below decent housing standards, with resulting neighborhood deterioration. An earmarked housing program with periodic reinspection requirements is necessary to ensure that housing continues to meet minimum standards.
- o Housing markets are extremely diverse. In tight markets, raising incomes even to quite high levels (e.g., \$8,000) would not be sufficient to support new construction or properly maintain units. Moreover, increasing cash payments with no increase in supply may result in an increase in rents. In loose markets, adverse neighborhood conditions will in many cases make owners unwilling to undertake rehabilitation without incentives.

Each of HEW's specific proposals for incorporating housing in welfare reform is unacceptable.

1. Apparently, even HEW now rejects the original proposal to eliminate subsidized housing programs and distribute the funds made available to all persons eligible for welfare payments. This proposal would have virtually eliminated the possibility of any improved housing supply for poor people.
2. The use of a flat tax on welfare entitlements for recipients living in assisted housing is a de facto method of increasing the share of income spent for housing by the poor above the statutory 25 percent. Application of an off-setting tax of 15 percent on net welfare payments, as proposed by HEW, raises the effective rent paid by recipients in the following way:

*never
made*

Without Tax

\$3770 basic entitlement
943 rent at 25%

With 15 Percent Tax

\$3770 basic entitlement
-566 tax on housing
3204
801 direct rent charge
at 25% of cash income
+566 implicit rent charge
1367 total rent paid
= 36.3% of total income

Hence, introduction of such a tax on housing constitutes a major change in national housing policy under which the poor would be required to pay a significantly higher proportion of income for housing than middle- and upper-income families or the population at large. The average portion of income devoted to shelter in the United States is 18 percent.

3. The "fiscal dividend" emerging from assisted housing programs, that is, the amount that housing subsidies are reduced as a result of the increase in tenants' income because of increased welfare payments, should be used (in accordance with HUD's mandated housing goals) to expand the coverage of current housing programs rather than be earmarked for welfare payments. The amount of fiscal dividend that would result from a basic entitlement level of \$3770 is unclear, but utilization of this dividend for subsidized housing would permit HUD to move more rapidly towards its goal of housing all persons in a decent and healthy environment. Considering the constantly increasing cost of housing, incremental funds of this amount will be required merely to continue to meet the current goal of 400,000 additional subsidized units each fiscal year. Without the use of these "savings" resulting from welfare reform, the housing programs will require significant budget increases just to maintain current program levels.

No. →
Should go
to HUD

I urge you to consider the housing policy of this Administration as an issue in its own right and not as a means of providing additional funds for welfare payments.

Pat

Patricia Roberts Harris

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Bob Lipshutz

The attached was returned in the President's outbox and is forwarded to you for your information. The signed original has been forwarded to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

RE: DELEGATION OF GRANT MAKING
POWERS FROM CSA TO HEW'S
OFFICE OF NATIVE PROGRAMS

13 pages

X

THE WHITE HOUSE
WASHINGTON

THE WHITE HOUSE
WASHINGTON

Mr. President:

Lance, Eizenstat, and
Watson concur.

ONE SIGNATURE REQUESTED.

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION
FYI

	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
X	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	LANCE
	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

Rick (wds)

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.
THE WHITE HOUSE
WASHINGTON

*Why 40 days
to get to me?
J*

July 28, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ
MARGARET MCKENNA *mmk*

SUBJECT: Delegation of Grant Making Powers
from CSA to HEW's Office of Native Programs

Graciela Olivarez has requested that you sign the attached documents. They delegate certain grant making authority from CSA to HEW's Office of Native Programs. Delegation allows the transfer of \$2.4 million to HEW to make grants to various native American organizations for Weatherization activities and energy conservation services to native Americans. CSA has delegated this responsibility for three consecutive years, based on the expertise of HEW's Office of Native Programs. They have done this without Presidential approval, however, the new General Counsel of CSA has determined that the statute requires your approval in order to do this correctly.

We recommend that you sign the attached documents.

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for Preservation Purposes**

Community WASHINGTON, D.C. 20506
Services Administration



1977 JUL 11 AM 9 10

JUL 8 1977

MEMORANDUM TO JACK WATSON

Secretary to the Cabinet and
Assistant to the President
for Inter-Governmental Relations

SUBJECT: Presidential Approval of Delegation
of Powers from Community Services
Administration to HEW's Office of
Native Programs

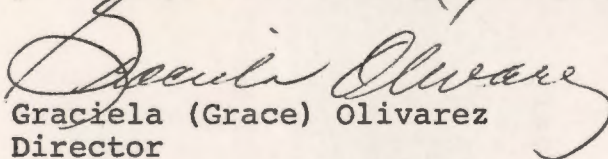
I am submitting to you for the President's approval and signature an Interagency Agreement between Community Services Administration (CSA) and the Office of Native American Programs (ONAP) of the Department of Health, Education and Welfare.

The Agreement constitutes a delegation of my grant making authority to another agency, which under the restrictions of Section 601(c) and the provisions of Section 602(d) of the Economic Opportunity Act of 1964, as amended through 1974, cannot be delegated absent Presidential approval.

CSA has authority under Section 221(a)(12) of the Act to make grants to Community Action Agencies and other organizations which provide various weatherization and energy conservation services to eligible poor people. Generally, CSA makes grants directly without transferring funds or delegating any of our functions to other Federal agencies. However, it has been our experience that in order to reach the Native American community it is more effective in certain instances

to transfer funds and grant making functions to a Federal office particularly designed to serve that community. Hence, we have entered into the attached Interagency Agreement which will transfer \$2.4 million to ONAP. ONAP will, in turn, make grants to various Native American organizations for weatherization activities and will, under the Agreement, be required to provide CSA with regular status reports and follow the dictates of our weatherization guidelines and instructions.

There is some urgency to the contemplated Agreement, and I would greatly appreciate whatever assistance you can provide in expediting approval.


Graciela (Grace) Olivarez
Director

Attachment

INTERAGENCY AGREEMENT
BETWEEN THE
OFFICE OF NATIVE AMERICAN PROGRAMS
AND THE
COMMUNITY SERVICES ADMINISTRATION

This Agreement is entered into this 21st day of June, 1977, between the Office of Native American Programs (hereinafter referred to as ONAP) and the Community Services Administration (hereinafter referred to as CSA).

WHEREAS, it is the mutual desire of ONAP and CSA to assist low-income reservation Indian individuals and families on trust lands and other Indian lands in coping with the energy crisis which has severely limited their ability to maintain even minimum living conditions, and

WHEREAS, CSA has authority pursuant to Section 602(d) of the Economic Opportunity Act of 1964, as amended, 42 USC 2942, to transfer to ONAP funds to carry out the Emergency Energy Conservation Program as authorized by Section 222(a)12 of the Community Services Act of 1974.

NOW THEREFORE, it is mutually agreed as follows:

A. That CSA:

1. Shall transfer Fiscal Year 1977 Emergency Energy Conservation Program funding in the amount of \$2.4 million, and the full concomitant granting authority, to ONAP for carrying out this Agreement.
2. Shall provide ONAP for its Weatherization Program grantees appropriate reporting forms. At a minimum these will include the Building Weatherization Plan (BWP) and the Energy Data Form (EDF).
3. Agrees that ONAP grantees may participate in any of the Regional, State or Cluster training sessions to be conducted during the terms of this Agreement, provided that ONAP and CSA will mutually agree on participation by ONAP grantees in specific training sessions in numbers and in a manner that will not cause disruption of the training, and in coordination with the Regional Offices. ONAP grantees will bear the cost of per diem and travel to training sessions. CSA will provide ONAP with a list of training sessions to be held, or notify ONAP at least 20 days in advance of each training session.

4. Agrees to provide ONAP headquarters monitoring staff and ONAP T&TA contractors with a training session on a) both the BWP and the EDF, b) monitoring responsibilities, c) CSA Instruction 6143-1a, 2, and d) additional reporting requirements.
5. Will provide supplemental funds directly to ONAP T&TA sectional contractors once they have been selected by ONAP to provide weatherization training for ONAP grantees covered under this Agreement, and to assist in coordinating of ONAP grantee participation in CSA sponsored training.

B. That ONAP:

1. Shall assure that a long-term impact goal of the CSA Emergency Energy Conservation Program, i.e., weatherization through home repairs to minimize heat loss and thus improve thermal efficiency, is carried out with at least a major portion of the funds.
2. Shall carry out this program in accordance and in compliance with sections 7 & 8 of OEO Instruction 6143-1a, and shall adhere to the overall Guidelines set forth in CSA A Community Planning Guide to Weatherization (September, 1975), utilizing its resources to assist its grantees to achieve compliance with these instructions and guidelines and to assure quality of materials and workmanship in the projects carried out, except that:

- (a) ONAP will not require grantee to establish a Project Advisory Committee. The grantee governing body will be responsible for performing this function.

Except for program related guidelines in CSA Instruction 6143-1a, Sections 7 & 8 and provisions of our agreement, and A Community Planning Guide to Weatherization, ONAP Regulations will apply to all other aspects of these grants, including reporting content and schedules, financial records, and funding periods.

3. Will establish criteria for the distribution of funds for the mentioned purposes to the Indian tribes, groups and organizations serving reservation Indians on trust lands or other Indian lands, listed in Attachment A and such other Indian tribes and groups as ONAP and CSA shall mutually agree upon. In view of CSA's existing allocation for weatherization of Alaskan villages, ONAP's Alaskan grantees will not receive funds under this Agreement.

4. Assure that efforts will be made to utilize at least ninety percent (90%) of weatherization program funds for materials, in accordance with the provisions of CSA Instruction 6143-1a, Section 8c; provided that this paragraph is not meant to preclude the use of transferred funds for the hiring of grantee project directors where deemed necessary for the maintenance of program quality.
5. Shall cooperate with CSA's data collection and program review procedures by requiring their grantees to use the Building Weatherization Plan (BWP) and the Energy Data Form (EDF) for each home weatherized and for quarterly reporting respectively. Further, ONAP will undertake to perform Quality Control on these documents and hereafter submit them to CSA within ninety days.
6. Shall require reports from its grantees in accordance with OMB Circular A-110 Instructions and in turn, ONAP will report to CSA headquarters regarding accomplishments and problems.
7. Agrees to require its grantees as a condition of the grant to attend CSA-sponsored Regional training sessions where training is relevant to their needs, provided that ONAP and CSA Regional Offices mutually agree as to participation by ONAP grantees in specific training sessions as provided in para. A-3 above.
8. Provide CSA headquarters with copies of proposals for weatherization programs funded by ONAP and reports on field trips relating to weatherization programs.
9. Monitor the program progress of its weatherization grantees.
10. Pursue the feasibility and/or possibility with the aid of CSA of agreements with other Federal Agencies--FEA, HUD, BIA, DOL, etc. to make resources available to carry out rehabilitation programs in conjunction with weatherization programs.
11. Will condition all grants so that program funds are expended by September 30, 1978.

If additional funds become available, this Agreement may be amended to carry out the transfer of such funds, and where possible extended further to consider other Tribes and Indian groups mutually agreed upon.

This Agreement is effective as of the date first shown above and will remain in effect until funds are expended or accounted for unless this Agreement is modified in writing by both parties.

Approved and Accepted for:

Office of Native American Programs

BY: George Clark

Title: Acting Director, Office of
Native American Programs

Date: June 21, 1977

Approved and Accepted for:

Community Services Administration

BY: Samuel Levine

Title: Director, Community
Services Administration

Date: 6/30/77

APPROVED:

Jimmy Carter
President of the United States

Date: 7-30-77

Attachment A

ONAP Grantees to be Funded Under Terms
of This Agreement

Havasupai
Hualapai
Hopi
Navajo
White Mountain Apache
California ITC
Southern Ute
Ute Mountain
Couer d'Alene
Nez Perce
Passamaquoddy
Penobscot
Aroostock
Michigan ITC
White Earth
Red Lake
Fond du Lac
Leech Lake
Grand Portage
Mille Lacs
Nett Lake
Crow Tribe
Fort Belknap
Flathead
Blackfeet
Rocky Boys
Fort Peck
Northern Cheyenne
Santee Sioux
Nevada ITC

Mescalero
Jicarilla
Six Sandoval
Eight Northern Pueblos
Acoma
St. Regis
Seneca
Devils Lake
Turtle Mountain
Trenton
Standing Rock
Three Affiliated
Lower Brule
Crow Creek
Cheyenne River
Oglala Sioux
Rosebud Sioux
Sisseton-Wahpaton
Yankton Sioux
Uintah & Ouray
Lummi
Colville
Swinomish
Tulalip
Yakima
STOWW
Menominee
Great Lakes ITC
Oneida
Shoshone & Arapahoe
Umatilla
Santo Domingo
Zuni

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Peter Bourne -

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

Re: Future Responsibilities

bcc Hamilton Jordan

"DETERMINED TO BE AN ADMINISTRATIVE MARKING
CANCELLED PER E.O. 12356, SEC. 1.3 AND
ARCHIVIST'S MEMO OF MARCH 16, 1983"

THE WHITE HOUSE
WASHINGTON

confidential

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION
FYI

	MONDALE
	COSTANZA
	EIZENSTAT
X	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	LANCE
	SCHULTZE

don't indicate Jordan copy to Bourne

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

	ARAGON
X	BOURNE - 1st page only
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

July 29, 1977

MEMORANDUM TO THE PRESIDENT

FROM: Peter Bourne P.B.

SUBJECT: My Future Responsibilities.

Despite my ambivalence about the setting up of ODAP, and the fact that it was scheduled to be phased out next September anyway the announcement of its abolition has been interpreted in the press and in the agencies a setback for me that leaves me essentially impotent in the White House structure. Even in areas unrelated to drug abuse such as international health I am suddenly having difficulty getting people in the agencies to be cooperative.

With the phase out of ODAP I need to have my role not only reinforced and clearly defined, but adequately communicated so that people do not feel that I am inappropriately encroaching on them. I also feel that I would be able to function a good deal better if I could participate more actively in meetings and events in the White House outside my immediate area.

I would like to request the following:

1. That I be redesignated as an Assistant rather than as a Special Assistant. Currently I am the only person with substantive credentials at the Special Assistant level. Also I believe I am the only one who started with you in Georgia who is not at the Assistant level. I probably should have raised this issue when I first came here, but in some ways my change of status at this point would serve to offset the setback that the phase out of ODAP is seen as inflicting on me.

2. As you know my greatest interest and the area in which I believe I can do most for you is that of international human needs. I am attaching my memo of October 30th, 1976, which I thought you would like to have before you, as it still accurately summarizes, I feel, the importance of this area in your overall foreign policy. I am attaching also a functional description of the role I would like to assume.

3. If you are in agreement I would ask that you communicate my designated role to the Cabinet and White House Staff either by mentioning it at the next Cabinet

MEMORANDUM TO THE PRESIDENT

FROM: Peter Bourne

SUBJECT: My future responsibilities.

meeting, by memo, or in some other manner so that what has been a difficult and ambiguous role in the past is clarified.

4. One specific issue on which I need your assistance relates to international health activities. The study which I currently have underway has been going on for four months and is nearing completion in September, with a report to be provided to you. Up to this point we have had total cooperation from all of the agencies. Now especially since the demise of ODAP was announced my authority to conduct the study is being questioned, and the State Department in particular is declining further participation unless they receive some written endorsement of my role in this area. I am attaching both an organization chart showing the structure of the study and a draft memo from you to members of the Cabinet which Jack Watson and I had originally planned to ask you to send, but which we decided against bothering you with as long as the cooperation was so good.

I would like to ask that you send this memo or a similar communication so that my credibility could be reestablished and the study can be completed.

5. Under the present reorganization plan I would have 4 people from Stu Eizenstat's office assigned to me. These presumably would be my Secretary (Sara Seanor), my Administrative Assistant (Ellen Metsky), one person to work on drugs, and one person to work on human needs. I have several concerns with this arrangement:

(a) There are serious symbolic problems for me in being the only person in the White House who does not even have a secretary directly assigned to them. It would cost no more and would really make no difference organizationally for these people to be assigned directly to me.

(b) Although it does not bother me particularly, the Congress is going to give me a hard time next week about in effect having only one staff person working on drugs.

(c) I know everyone wants more staff positions and, of course, so do I. I know also however, that you are trying to maintain a tight ceiling. On an attached sheet I have suggested what I

MEMORANDUM TO THE PRESIDENT

FROM: Peter Bourne

SUBJECT: My future responsibilities.

consider a minimal staffing pattern after ODAP is phased out. My job is a substantive one and without substantive back up I am concerned my value to you will be significantly diminished.

6. I would like to be more actively involved in the overall functions of the White House. Specifically I would like to attend the Tuesday morning Staff Meeting. I am not sure what the arrangement is for attending Cabinet meetings, but I have never felt free to be there. Part of this may be my own fault, but I would like as part of the redefinition of my role to become more integrated in various ways as I feel that this would result in my contribution to you becoming more meaningful.

PGB:ss

Attachment

FUNCTIONAL STATEMENT - PETER BOURNE

I would like my role to encompass the following functions.

(1) To advise the President in the area of basic human needs especially international health, shelter, nutrition, education, family planning and international disaster relief.

(2) To advise and counsel with the Assistants to the President for Domestic Affairs and Policy and National Security Affairs, the Director of the President's Study on Government Reorganization, and other Presidential advisors.

(3) To actively pursue, as I am already doing the vehicle of international human needs in bringing us closer together with the fourteen countries with which we do not currently have diplomatic relations.

(4) To work closely with multinational organizations including especially the U. N. organizations dealing with the international human needs area. To be for instance the lead person in the White House for the International Year of the Child.

(5) To serve as the liaison person with the private sector on issues of international human needs.

(6) To act as a Presidential emissary overseas as I have done in delivering Presidential statements to international bodies, and in representing the President with officials in other governments on these topics.

I would also serve to advise the President on a continuing basis on the issues of drug abuse and mental health.

Desired Staffing

Deputy
Human needs Professional
Drug Professional
Administrative Assistant
2 Secretaries

To: Governor Jimmy Carter

From: Peter Bourne

P.B.

October 30th 1976

Subject: A New Role in the World

You have a lot of outstanding experts advising you on foreign policy who understand international politics far better than do I. I believe, however, that there is a view of the world that none of them are going to suggest to you directly. I think that you need to see yourself not just as the leader of the United States, or of the free world, but of the entire global population. In visits to foreign countries in the last few years I have found a desperate hunger among the people, rather than the leaders of those countries, for the sort of strong moral leadership that American presidents can convey. Even Nixon, with all his moral compromise, was seen as almost a spiritual leader, particularly in the more impoverished areas of the world, reflecting in my mind, not that Nixon was anything special, but rather the desperate need of literally hundreds of millions of people in the world to have somebody to believe in who transcends the corrupt, selfish, greedy, and incompetent leadership in their own countries, and particularly somebody who seems to put the needs of humanity on a par with or above individual national needs. President Kennedy in the short time he was in office began to communicate this to the world in such a way that he remains in the minds of many poor and humble people throughout the globe as the most admired American of all time.

I believe that you will have a unique opportunity to influence the welfare of the world and at the same time the United States by fulfilling that need in a knowing, informed, compassionate and planned way. I think Kennedy acted from instinct but did not really understand the great good he could do.

There are certain elements I think you should consider:

(1) You need to communicate to the people of other nations in a way that is largely free from ideology. There are certain basic needs, values and desires that are universal to mankind. Freedom from hunger, physical suffering, war, pests, pollution of the environment, and servitude to others, the desire to see one's children grow up to be happy and have a better chance in the world than you did, the ability to enhance one's position in society by virtue of one's own merits and hard work, the opportunity to travel freely, to be educated, to have the benefit of technology and material things, and the time to enjoy them, all people share these aims and they are unrelated to political ideology. You should speak to these needs and concerns and your desire to see all the people of the world have these things.

You talked in the primaries about finding the people in California or Iowa to be the same as the people in Georgia. It is also true that the people in Thailand or Costa Rica are no different. What I am talking about in effect is

a concept of global populism. At a governmental level you need to deal with the stated notions of "the new economic world order" and the doctrine of "global fairness" but your primary appeal should be towards the people rather than the governments of the world.

(2) Your message should be a personal one and not an overt promotion of America or American values. People in other countries have the same kind of national chauvinism that we do, and they find it hard to express admiration for America without it seeming somehow to detract from their feelings for their own country and it causes them a sense of conflict. So many people in the world are tired of being told 'just copy America and you will be happy'. The so called American way of life has become offensive because of the arrogant and self righteous way in which we have promoted it without recognition of people's own national feelings and identity. The American image as a nation is still tarnished in many foreign eyes from Viet Nam, from economic exploitation, from C.I.A. subversion of many governments and our attempts to promote a specific political philosophy. Yet the people of the world are yearning for an American president who can rise above that and offer leadership based on personal values and a personal identity that transcends nationalism.

(3) Your victory in November is likely to put you in the most powerful position anyone has ever enjoyed. Apart from what we hope will be a sizable victory over Ford, you will have an overwhelmingly Democratic House and Senate with new leadership and a majority of Democratic Governors and Mayors. Also it seems that the diversity of your support across economic and social lines will be greater than anyone since FDR. With this mandate I think you have an obligation to take some bold new steps and ask yourself not only what you can do for the people of America but what you can do for the people of the world. I think handled in a careful and low key way it is possible to move towards a concept of a global presidency, with people seeing that the welfare of any one people is the welfare of all mankind.

I hope you will consider the following steps and perhaps others:

(a) The overriding issue is your own self concept. You must be bold enough to accept the role in your own mind. Do not compare what you might do in foreign affairs with previous Presidents. You can be far greater, and can change the course of the world in a way that no previous President nor any other national leader could do. The only thing that can defeat you is a limitation in your own vision and horizons. Do not be concerned about being too grandiose in your ideas or your fantasies. History will not remember you for being timid or modest.

(b) You should travel as much as is reasonably possible. You need to know and understand the world in the same way that you now know America and the American people. You should use your family for this in the same way that they helped you in the campaign. Rosalynn if she is willing to do it would be crucial to this entire effort.

(c) You need to have a quiet but well thought out plan and strategy to sell yourself to the people of the world. Perhaps it should only exist in your own mind, or at most shared with a very small group and should never be made public in a way that could be misinterpreted by the American people.

(d) U.S.I.A. is potentially one of the most important tools at your disposal for reaching the people as opposed to the governments of the world.

It needs to be reorganized and redirected, but with the right person running it who understands your goals your personal message can reach a high percentage of the worlds people. They could arrange for your friends to speak on your behalf.

(e) The Peace Corps or comparable programs need to be established or revitalized, and they need to be closely identified as your personal initiatives for the world.

(f) You might consider some completely inovative ideas such as inviting foreign government leaders at the assistant secretary or deputy assistant secretary level to come to the United States and work for amonth or three months along side their counterpart in our federal agencies. They would have to go through careful security clearance, and might have to be excludedfrom one per cent or so of meetings. But that would be rare. I believe such a program would enormously enhance our image in the world and create the feeling that you really were trying to do away with secrecy and make America open and honest in its dealings with the rest of the world. These people would also understand us and our government much better and hopefully they would learn skills and philosophy that would be helpful back intheir own countries.

(g) On the negative side, it is essential that you have complete control of the C.I.A. It really is a secret government and largely controlled by people who did not want to see you become President. They will subvert your plans and ideas or do much worse. I am sure you have talked with Senator Mondale about this. I believe he fully understands the dangers the agency poses. I hope you will not take it lightly. You need not only to make it fully accountable but your own loyal people into it at several levels so that you really have control.

I hope you will takè what I have said above seriously. I believe that the world is quite capable of destroying itself and all of humanity in the next generation because no one is strong enough to lead us. No one else has either the qualities or the opportunity that you now have, and it is unlikely that we will have this chance again before it is too late. I hope that you will make the most of it.

Immediately after the election I am going to Geneva for two days for a meeting of a U.N. Committee that I am serving on, and at the end of November will be spending a few days in Iraq. The rest of the time between November 2nd and the inauguration I will be here and very available. If it is possible I would like very much to talk to you further about the ideas I have expressed here.

Finally, I want you to know that I feel Dick Gardner is an outstading person whose philosophies I think closely parallel my own. I do not know what plans you have for him, and I realize he is probably not an appropriate choice for Secretary of State, but I hope you will use him well because I feel he can do a great dealto help you.

Mary and I believe in you and your ability to be the greatest Prsident we have ever had.

D R A F T

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE CABINET AND OTHER AFFECTED AGENCIES

FROM: THE PRESIDENT

SUBJECT: U.S. International Health Policy

Approximately two billion human beings in Third World nations face premature death due to preventable parasitic and infectious diseases, malnutrition and lack of sanitary water supply. Similarly, in the industrial nations of the world, many crippling and debilitating diseases continue to cut short productive and happy lives. This state of affairs has continued in the face of unprecedented advances in medical science and technology.

A preliminary assessment conducted at my request by Peter G. Bourne found that the United States government is not building adequately on the mutual self-interest of all nations to use readily available medical scientific knowledge to improve the health and well being of people everywhere. I believe that the United States government needs to take steps to improve its capacity to fight disease in partnership with other nations.

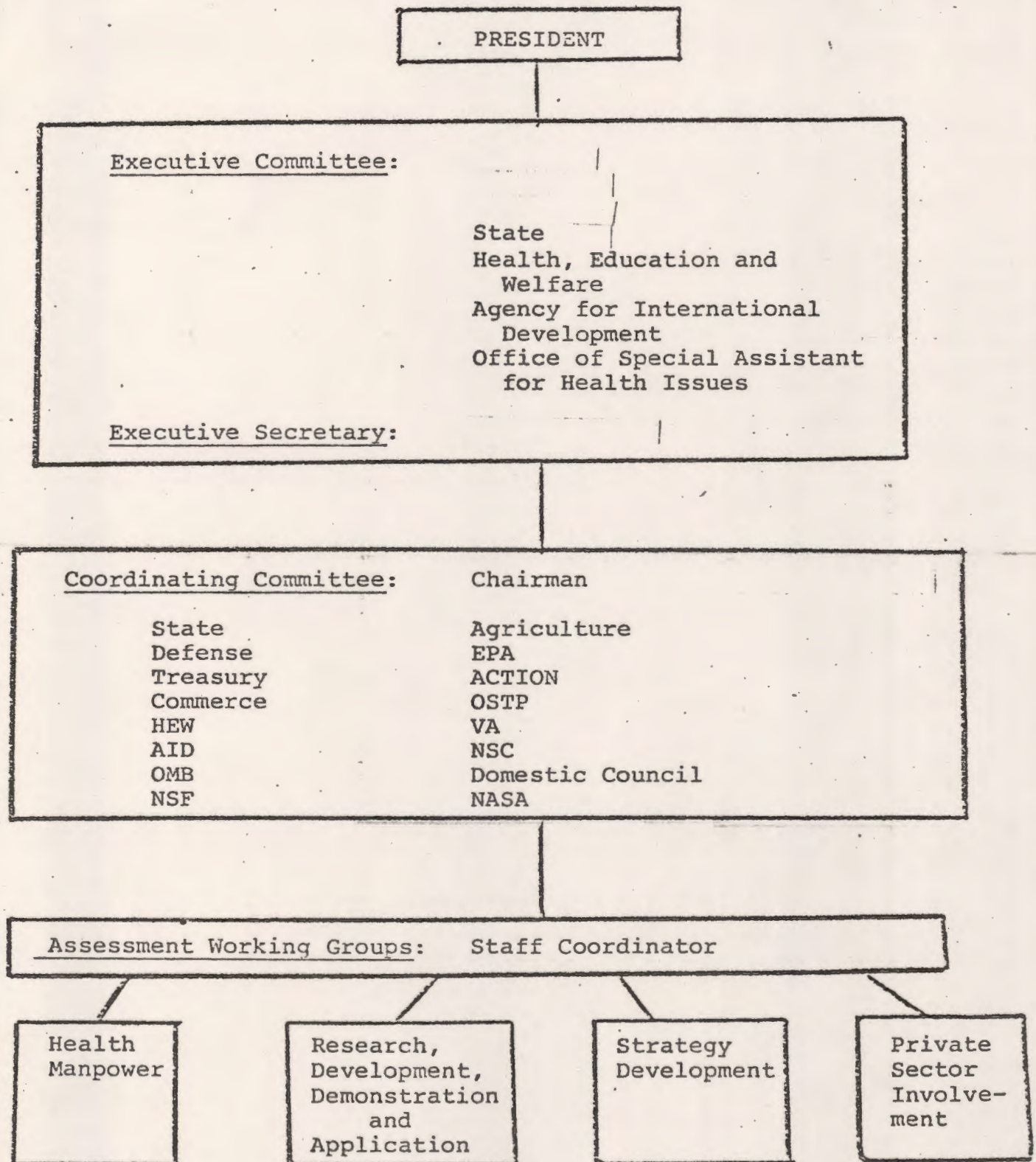
I have asked Jack Watson to organize a Cabinet-level Task Force on International Health. The work of the Task Force will be overseen by an Executive Committee consisting of the following agencies: State (CHmn.), Defense, Commerce, Treasury, HEW, AID. The White House Office of the Special Assistant for Health Issues will also be a member. Jack will serve as Executive Secretary of the Executive Committee and Peter Bourne will chair a coordinating committee which will be supported by working groups. The charge of the Task Force will be to prepare a report for me recommending government action to strengthen the U.S. government's capacity to cooperate in health with the developing and developed nations of the world.

Specifically, the Task Force shall recommend administrative and/or legislative policy options on the following by October 1:

- More effective ways in which to facilitate greater private sector involvement in international health, including international voluntary agencies, industry, labor, foundations and universities.
- More effective measures to improve the quality and ensure an appropriate supply of health manpower in developing countries.
- Measures to improve the effectiveness of international health research in the United States, and to improve cooperation with other nations and international organizations.
- Measures to improve the organization and management of international health programs.
- A long-range strategy for United States international health policy.

I ask all affected Department and Agency heads to assist in completing this assessment.

STRUCTURE - CABINET-LEVEL TASK FORCE ON INTERNATIONAL HEALTH POLICY



THE WHITE HOUSE
WASHINGTON

August 1, 1977

~~CONFIDENTIAL~~

Z. Brzezinski -

The attached was returned in the President's outbox and is forwarded to you for passing on to Secretary Vance for appropriate action.

Rick Hutcheson

Re: Goals of Ambassadors

"DETERMINED TO BE AN ADMINISTRATIVE MARKING
CANCELLED PER E.O. 12356, SEC. 1.3 AND
ARCHIVIST'S MEMO OF MARCH 16, 1983"

THE WHITE HOUSE
WASHINGTON

cc Vance
23
~~confidential~~

THE WHITE HOUSE
WASHINGTON

8-1-77

To Cy & Zbig

I want every U.S.
Ambassador to have a concise
list of specific tasks or
goals to be achieved within
his/her assigned country.

Please give me a few
examples, such as Zambia,
Argentina, India, S Africa,
Belgium, Republic of China,
Philippines.

F.C.